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Chemical Industry Featured In This Issue

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EDITORIAL

As We See It

In a number of recent issues we have been at pains to point out that the Eisenhower Administration and the Republican party would find themselves under the necessity early next year to face a number of vital issues which they have so far managed to evade, avoid or defer. The fiscal situation with its continuing deficits, the worsening farm state of affairs, the whole complex of subjects involved in our foreign relations, the need of a thorough overhauling of our tax structure, labor unionism, the veterans, and a number of other vital matters, were and still are among the more pressing of these problems. Various groups, committees, commissions and the like within the Administration or appointed by the Administration are at work, to say nothing of a number of Congressional committees and organizations working for them. We only repeat ourselves when we again assert that the New Year ought to be, and almost inevitably will be, a time for "showdowns."

It is now necessary—and we hope not too banal—to add that next winter will also be showdown time in another and about equally important aspect of essentially this same situation. It will be absolutely necessary for the Eisenhower Administration to come to grips politically with this situation. Coming to political grips with these problems has two major facets, one of them interparty and one of them intraparty in nature. The leaders of the Democratic party — and we have reference primarily to those personalities which have been dominant in the past since the ascension of Franklin Roosevelt to power in 1932—after their resounding defeat last year retired

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Inflation, Deflation Or Confusion?

By MELCHIOR PALYI

Dr. Palyi points out factors in the present confusing situation with its apparent contradictions. Holds boom in the industrial sphere can accompany a deepening recession on farms and in mines until the glut spreads into the manufacturing field. Says an artificial prosperity stimulates production beyond markets' capability to absorb output, unless money is poured continuously in the arteries of circulation. Concludes a setback of business in coming winter or spring is a possibility, "but by no means a certainty," while more inflation is the real threat.

The situation is confusing, indeed. Industrial production and construction are zooming to new heights. In the first seven months, retail sales were running above last year, dwellings going up at a rate second only to the record of 1950. Civilian employment is at an all-time high, absolute as well as percentage-wise. Personal incomes and corporate profits are forging ahead incessantly. Wage rates are increasing at every turn, industry after industry. And the index of living costs is creeping upward.

Dr. Melchior Palyi

But look at the reverse side of the medal. Raw materials have been slipping. With all costly support, farm commodity prices are on the weak side. With few exceptions, the basic commodity picture is one of actual or threatening overproduction.

Such apparent contradictions are typical of the advanced cycle. It was growth of insidious trends within that reversed every one of them. The classic example is the big boom of the 20s, in the midst of which, from 1926 on, basic commodities fell by about 12% before the bubble burst. It speaks well for the intelligence of the American businessman that he is not being misled any longer by superficial appearances. He sees that something is fundamentally wrong, and he believes what he

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Challenge to Chemists

By FARRINGTON DANIELS*
Chairman, Department of Chemistry, University of Wisconsin
President, American Chemical Society

Stressing need for research that will insure future generations a continuation of the fuel, food, metals and materials, that are now rapidly being used up, Prof. Daniels challenges American scientists and the chemical industry to find means of harnessing the sun's energy. Sees possibility of using economically both solar and atomic energy as sources of industrial power, and warns development of new sources of energy cannot wait until our energy reserves are depleted. Suggests possible new methods of utilizing solar energy.

I remember well the presidential address of a generation ago. President J. F. Norris of the American Chemical Society pointed to the advances in coal tar chemistry which had been made by German and British chemists, and challenged American chemists to develop our great raw material—petroleum. This challenge has been abundantly met and the past three decades have brought extraordinary achievements in the science and technology of petroleum.

Farrington Daniels

The challenge which I give you in 1953 is a long range challenge—to start seriously the research which will insure that our children's children may have a continuation of the fuel, food, metals and materials which we are so freely enjoying and so rapidly consuming.

Our Energy Resources

Let us consider first our energy resources. Attempts have been made to measure the progress of material civilization in terms of dollars of gold, tons of sulfuric acid and numbers of automobiles manufactured. It seems to me that the consumption of

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*Presidential address of Prof. Daniels presented at the 124th National Meeting of the American Chemical Society, Chicago, Ill., Sept. 7, 1953.

SECURITIES NOW IN REGISTRATION — Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 42.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

This Week's Forum Participants and Their Selections

Federal Manufacturing and Engineering Corporation—Stephen J. Sanford, Manager of Research Department, Amott, Baker & Co., New York City. (Page 2)

Fairchild Camera and Instrument Co. — Bradbury K. Thurlow, Partner, Talmage & Co., New York City. (Page 2)

STEPHEN J. SANFORD
Manager, Investors' Research Dept., Amott, Baker & Co., Inc., New York City

Federal Mfg. & Engineering Corp.

Under present Federal income taxes, capital gains are more desirable than dividends. Therefore, in selecting the most attractive stock of the moment, we are once again ignoring standard issues offering liberal return, and venturing away from the orthodox in quest of a situation whose sole appeal is large appreciation percentagewise.

A year ago we selected a little-known stock — Plastic Wire and Cable — and it subsequently advanced 85% above its prevailing price.

This year we are once again selecting a company known to only a handful of traders and a few hundred stockholders—Federal Manufacturing & Engineering Corp.

The company occupies three plants located in Brooklyn, N. Y. Two of these are leased, while a part of the third is owned in fee.

A discussion of the company's products must be divided into two categories—products for the civilian trade and products primarily for the defense effort.

The company has been in business since 1921. It has achieved a dominant position in the photographic industry by becoming the world's largest producer of precision - built photographic enlargers. Other products in this field include enlarging cameras, cold-lite enlargers, store-away enlargers, miscroscopes, microfilm projectors and red-flash cameras.

Motion-picture sound projectors are made for both the civilian trade and the Armed Forces.

Sears Roebuck, Montgomery Ward, Spiegel Inc. and other mail-order houses are the principal outlets for these products.

Two new products scheduled for introduction this fall are a new enlarger designed for the amateur field, and a two-speed tape recorder which, it is believed, will be priced lower than any comparable recorder now on the market.

During World War II, Federal made for the Armed Forces four types of butterfly tuners to help nullify enemy radar, impart actuators to explode secret equipment aboard American planes crashing in emeny territory and test signal laboratory equipment for calibrating radar devices.

The company was one of the few firms in the electronic and photographic industries to have been awarded the Army-Navy "E" five times during World War II.

Some of Federal's current output for the Armed Forces is "classified" and therefore, may not be discussed in detail. However, among the products that may be mentioned are signal generators, heterodyne frequency meters and radio receivers.

The company's capitalization is very simple, with only 234,000 shares of common stock outstanding. Of this amount, management owns approximately 120,000 shares, or roughly 51%. Floating supply available to the public is thus about 114,000 shares.

During World War II total sales held steady around the $2.5 million mark. This mark was exceeded in fiscal 1952 when they reached $3.8 million and a new record was established in the year which ended May 31, 1953, with sales reaching $10,246,366. Since the current backlog of unfilled orders is approximately $10 million, sales for the current fiscal year should not be far from that figure.

Earnings have fluctuated sharply, from a deficit of $0.61 per share in 1950 to a high of $0.91 per share in 1952 when a tax credit was available. In the year recently ended, earnings were equal to $0.75 per share.

Extension of the Excess Profits' Tax was a blow to the company. It will operate under this tax for seven months of the current fiscal year, and this will probably hold earnings down to $1.25 per share.

With a volume of $10 million annually and no EPT the company should be able to show earnings of $2 per share.

A year ago the company had bank loans of $1,500,000 outstanding and cash on hand of $432,421. As of May 31 this year, the bank loans had been paid off entirely and cash on hand totaled $810,978.

Despite the fact the company is still laboring under the EPT, it has declared a quarterly dividend of 5c on the common stock payable October 15 to stockholders of record October 5. This action places the stock on a 20c annual basis and represents the first dividend payment since March 1948.

It is interesting to note that plant and equipment are carried on the company's books at a depreciated value of only $110,158. This results from rapid amortization during World War II.

A reputable engineering firm recently estimated replacement value at $2.3 million and a depreciated value of $1.5 million. Thus, book value appears to be about $6 per share greater than is apparent on the surface.

It is, of course, difficult to estimate how many years defense expenditures of the Government will continue at the current rate. Sales to civilian outlets alone could not generate a $10 million volume for this company at the present time. This stock must, therefore, be classed as speculative.

Considering all factors, the stock, traded in the over-the-counter market, would appear to be worth considerably more than the present two-and-one-half times estimated earnings for the current fiscal year.

BRADBURY K. THURLOW
Partner, Talmage & Co., N. Y. City
Members of New York Stock Exchange

Fairchild Camera and Instrument

During the past few weeks investors have been going through one of their periodic tremors regarding the future of corporate earnings. Perhaps the liquidation in the stock market is already over, perhaps not; but it seems safe to assume that among the first issues to regain recently lost ground will be those of companies whose outlook is comparatively free of connection with business activity and whose longer term picture contains elements of real growth. Such a stock is Hygrade Foods recommended by the writer in this forum last January. Another, perhaps even more dynamic for the long-term, is Fairchild Camera and Instrument currently selling on the American Stock Exchange at its year's low, around 17½, a discount of over 50% from its 1951 high.

B. K. Thurlow

The company has long been well-known as a principal supplier of photographic equipment to the United States Air Forces, but its great appeal today comes from the earnings possibilities of its Scan-a-graver machine which has been under development for over five years and is now being produced for the first time in sufficient volume to show the company a good profit.

Scan-a-graver is a photo-electric engraving machine which produces half-tone engravings directly from photographs. It resembles a lathe with two cylindrical rollers. The photograph to be reproduced is placed on one of these, while the other roller is wrapped in a wafer-thin plastic sheet. As the picture on one roll is scanned with an electric eye, varying impulses from this are transmitted to a heated stylus, which is turn makes dots of corresponding depth in the plastic sheet. The sheet is then ready to make the print directly on paper. The whole process take a maximum of about 20 minutes as compared with several hours for the equivalent in standard photo-engraving; the machine does not require skilled labor; and it is rented for $150-$250 a month, while a photo-engraving unit of comparable efficiency would cost up to $100,000.

It is easy to see the potentialities of such a machine among small newspapers, magazines, and commercial printers. At present, black and white reproductions of 120 lines to the inch can be produced fine enough for high quality magazine half-tones, and it is planned to introduce color reproduction at some time in the future. By April of this year 1,100 machines had been placed in operation, and it is estimated conservatively that 1,450 will be leased by the end of this year, bringing in annual revenues of $2.5 million in rentals and profits of perhaps $1 million on sales of plastic sheets and other printing materials. With 953 machines in operation at the end of last year, profits (before taxes) from the Scan-a-graver in the first quarter of 1953 came to $129,000. A year from now the profits may be twice this figure, based on the above projections, and two years from now close to $2 million annually. It is hard to see any near term limit to this rate of growth. The company has recently moved into a new and larger factory in Syosset, Long Island; there appears to be a ready market for at least several thousand machines irrespective of business conditions; the product has been well tested for mechanical flaws over a six-year period of public operation, and appears to have good patent protection. At present the company knows of no competitive products on the market or likely to be brought to market in the foreseeable future.

In addition to the Scan-a-

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Chemistry in Farming Progress

By W. G. ROUSE*
Assistant Treasurer, Mathieson Chemical Corporation

Stressing importance of agriculture in future progress and growth of the nation, Mr. Rouse cites illustration of use of chemicals in improving and increasing agricultural production. Urges bankers encourage, educate and finance farmers to apply principles of scientific farming and profitable use of effective fertilizers for modern methods of farming.

Food, clothing and shelter are man's three basic needs. Of these three, two—food and clothing—are almost wholly produced on the farm. Since Arkansas is one of our great agricultural states, it seems to me that this meeting of many of your state's leading citizens is a most appropriate place to discuss agriculture.

W. G. Rouse

It is my objective to stress today three basic ideas: (1) The importance of agriculture to the future progress and growth of our country.

(2) The importance of scientific farming as a means of increasing agricultural production generally, and specifically the importance of using recommended amounts of fertilizer to accomplish this end.

(3) The importance of the banker in encouraging, educating and financing the farms of this state and community.

Importance of Agriculture

The importance of the agricultural industry to the growth of our country is obvious when we consider that during the 20 years from 1930 to 1950 the U. S. population increased by about 28,000,000 people, but in this present ten year period from 1950 to 1960 it is estimated that the population will be increased by almost the same number — 26,000,000 people. Today, every eight seconds a baby is born—every 21 seconds a death occurs. Every two minutes an immigrant moves in — every 17 minutes an emigrant moves out. This is a net gain of a person each 12 seconds—7,200 a day—50,000 a week—2,600,000 per year.

Each year, every person in this country consumes an average of 1,600 pounds of food. It is the responsibility of the agricultural industry to see that 1,600 more pounds of meat, vegetables, fruit, dairy products and poultry are made available to provide for each new arrival. At the present rate of population growth between 1950 and 1960, 20,800,000 tons of additional food will have to be produced just to care for the individuals as yet unborn. Where will this needed food come from?

During the 1930 to 1950 period we solved this problem to a large extent through the interesting coincidence of three revolutionary developments within agriculture:

(1) We killed off horses; in 1930 we fed 25,000,000 horses. They worked hard and were fed heavily. They consumed a substantial part of our production of oats, corn and pasture. Today, we have only 5,000,000 horses in this country, and they eat relatively little. The tractor has taken over. Land once used to grow feed consumed by these 20,000,000 horses has been added to the acres now used to produce food for human consumption.

(2) Hybrid corn was developed. Although there have been other seed-improving developments, this is considered the most outstanding. In 1930, only one-half of 1% of our corn acres were planted with Hybrid seed corn. Today, the figure is 85%. For example, in 1930 there were slightly more than 100,000,000 acres planted in corn, and we produced an average of 21 bushels per acre; the total production was 2,000,000,000 bushels of corn. In 1950, 84,000,000 acres were planted in corn—The yield? 38 bushels per acre—total of 3,100,000,000 bushels. An additional 1,100,000,000 bushels on 16,000,000 acres less land. Of course, the increasing use of fertilizer on corn was also a major factor in almost doubling corn yields per acre. This greater production means additional corn for feeding of livestock, poultry, and direct consumption.

(3) Soy beans are being planted in increasing amounts to a large extent on acres liberated from corn, thus giving our livestock a better balanced ration. As a result, dairy and livestock production has increased. For example, the doubling of the number of pounds of milk or butterfat per cow is to a great extent attributed to a better balanced ration.

How Farm Production Can Be Increased

However, these circumstances which so substantially contributed to our ability to feed an additional 28,000,000 people over the past 20-year period are largely at an end. Our ability to increase production as a result of these developments has leveled off. How then can we up crop output? By increasing the number of acres of crop land? This is very doubtful.

(1) Our frontiers have vanished, and there is practically no virgin soil available for development at reasonable cost.

(2) An increase of 50,000 people per week in our population means an increase in the amount of land area required for housing, roads, airfields, and other facilities required as our population increases. It is relatively easy for us to picture the amount of land

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*An address by Mr. Rouse before the Tenth Arkansas Bankers Seminar, Fayetteville, Ark.

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Where Now?

By W. W. TOWNSEND*

President, Townsend-Skinner & Co., Inc., New York City

Pointing out our greatest error, which must catch up with us soon, is belief that we can borrow ourselves into solvency, Mr. Townsend warns of our piling up of debt. Says heavy Federal, state and local debts are matters of greatest concern. Sees overproduction ahead and an inventory log jam, and contends present large individual savings cannot be used to cancel outstanding debts.

As nations go, we are young—and because we are still young our outstanding characteristic is vitality. We live our lives in the superlative degree and our national motto could just as well be "Nothing in Moderation" as "In God We Trust."

W. W. Townsend

Our success, as measured by material things, has been so spectacular that we are prone to believe ourselves wise; but wisdom, which is complete and sympathetic understanding, is a function of maturity and while we have much of which we can justly be proud, there can be found in the background of our experience—particularly our recent experience—a great many errors, all of them errors of the head and none of the heart, but errors, nevertheless, and the hardest thing in the world to do it to unmake a mistake.

It has been said that any pronounced or protracted political or economic trend invariably develops its own series of errors and excesses, everyone of which ultimately must be liquidated. Some of our recent errors have been social, some political and some international but the one which is likely to catch up with us the soonest is the error of believing that we can borrow ourselves into solvency. It ranks on a par with the error of believing that anyone can drink himself sober.

The only valid criticism which ever has been leveled against our system of free enterprise capitalism is the inflexibility of debt. The current statistics show that apparently we are at the peak of our prosperity, with trade volume high, wages high, employment high, earnings high and dividends high. We enjoy the highest standard of living of any nation on earth but all of this, during the past 30 years, has been accomplished by the deliberate process of piling up a tremendous mountain of debt, which is beginning to catch up with us and which is already a serious problem in certain respects.

The reason why this subject is so important to this particular audience is because everyone in it deals in dollars and in debts. There are those who would have us believe that the finance industry is parasitic but, in truth, it is the greatest middleman industry the world has ever known. Without it this country could not have grown great but it is equally true that without it this country would not now face a day of reckoning, which may not be imminent but which is inevitable.

Debts Multiplied Many Fold

We have been deliberately "money managed" into a smashing victory in World War II, which may be illusory, and a 50 cent dollar, which is anything but illusory. Our state, local and Federal debt has been multiplied by 10 during the last 25 years and not all of that, by any means, was due to the costs of World War II. The President who retired from office in January and who has just returned to the political arena enjoys the unique distinction of having spent in the seven years of his administration $20 billion more than had been spent by every single one of his predecessors, taken together.

But the state, Federal and local debt is not the matter of greatest concern. For one thing, the Federal debt can be paid, if necessary by printing money. It would depreciate the purchasing power of that money, to be sure, but the debts can be paid. There have been local and state governments whose credit has been a little dubious at times but the record of defaults is remarkably clean.

Heavy Corporate Debts

The corporations of this country have been tempted — or perhaps induced is the better word — by abnormally low interest rates, to borrow for purposes of expansion and even for working capital, but the corporate debt is not a present cause for serious concern, in spite of the fact that private debt, which includes corporate debt, has increased in the past seven years from $141 billion to over $305 billion, during which period the state, local and Federal debt remained a relative constant at about $275 billion.

The non-farm mtge. debt, which has played so important a part in the growth of the Savings and Loan business, is not a matter for too serious concern, although it has increased in the past seven years from a little over $18 billion to nearly $60 billion. The real element of danger in debt today lies in the almost fantastic increase in consumer debt, debt which is incurred with the thought of satisfying today's desires with tomorrow's income, debt which does not itself produce any income out of which it can be repaid but which, because of its nature, must be repaid, not in 20 or 30 years, as is the case with mortgage debt, but in two or three years, at the most. Consumer debt in 1945 stood at $5.6 billion. Today it is well in excess of $27 billion. Installment debt in 1945 was almost exactly $2 billion. Today it is nearly $21.5 billion. This is the debt which will catch up with us first because its maturity is the most closely at hand.

The problem here is not the willingness to pay. This nation has developed no constitutional disinclination to pay debts, a phrase which has been used on occasion to characterize a few of our neighbor nations in the Western Hemisphere. The problem is the capacity to pay.

When the debts were assumed, the corollary assumption was that the incomes of the debtors would be a constant. They cannot be in every instance and this brings us to another glaring error in our recent past. We have been pushing our machinery too hard and too fast. Like the little boy on the bicycle for the first time who discovers that he can stay on only if he can keep pumping at a rapid rate, we have not demonstrated our ability to slow down so that we can step off. The little boy always falls off because he hasn't enough strength to keep pumping like mad indefinitely. Nations — which resemble little boys — have "devices," so called, whereby their momentum can be sustained for fairly protracted periods and one of these devices is debt.

Threat of Inventory Log Jam

Furthermore, in the desire to satisfy both today's and tomorrow's wants at the same time, we have succeeded in overproducing to such an extent that we are face to face right now with a minor inventory log jam at the manufacturers' end of the pipe line of distribution. This is particularly true in the automobile industry, where production for the first six months of 1953 was at the rate of 6.4 million cars per annum and the head of the industry's largest corporation, in a statement made not more than two months ago, estimated the total demand for the year to be not over 5.5 million. Within a few months the automobile industry is going to slow down, which means the loss of overtime pay and perhaps the third shift, or the new cars will pile up in the manufacturers' warehouses or the dealers' showrooms to the point where the distress merchandise will be something to stagger the imagination. Practically every new car today is sold in trade for a used car and the congestion in the automobile business is showing up in the used car market already. But this is only one instance. We are overproducing in television sets, in radios, in washing machines and in cloths dryers. During the last 12 months, also, the shoe industry produced 19.7 million more pairs of shoes than it could sell.

The laws of economics are quiet laws but they are as inescapable as is the law of gravity. They can be circumvented, to be sure, as was the law of gravity when we learned to fly; but as surely as the aviator comes back to earth when the power gives out so the old laws of economics — particularly the law of supply and demand—are waiting and will take their toll.

What Overproduction Means

Overproduction means inventory log jams and it makes no great difference whether they occur at the retail, the wholesale or the manufacturing sections of the pipe line of distribution. Their consequences are less production, less employment, less purchasing power, less earnings, less dividend expectancy and lower price tags on the ownership of American business. That is the prospect and the problem which we face and the only reason why the problem is laid out as a whole is because the reduction in employment and in over-all wages, out of which these debts are to be paid, is one of the inescapable consequences.

There are those who say that consumer debt presents no cause for concern by virtue of the fact that the savings of the nation are piling up at a tremendous rate—and no one knows that better than those in this room. But do you know, or does anyone know, whether the savers are identical with the borrowers? The chances are better than even that they are not absolutely identical but the chance also exists that some of them are in both categories. In fact, a recent survey by the Michigan University Research Survey Center discloses that while 60% of today's disposable income has gravitated into the hands of the upper and lower middle class families, those earning from $3,000 to $7,500 per annum, it is this same group which is responsible for about 65% of the consumer debt.

Now, it's all very well for the objective economist to state that the savings can be used to pay the debts. There isn't any definite assurance of this because it may be Joe who is the saver and Jim who owes the debts — and Joe won't pay Jim's debts. But to whatever extent it does work out that way, the managers of the thrift institutions are presented with the problem represented by the necessary withdrawals. Perhaps the problem will not be too serious but it might be well to note in passing that the sum total of consumer debt is more than all the deposits in all the Mutual Savings Banks, greater than all the share capital in all the Savings and Loan Associations, 60% of all the time deposits in all the commercial banks and 30% of all three taken together, so the risk exposure is fairly substantial.

Beyond that point, there is the added uncertainty regarding the continued inflow of savings. The rate has slowed up somewhat. The net new share capital in the Savings and Loan Assoications for July was $155 million, which is only $11 million more than the increase in July of 1952. Similarly, the net increase in Savings Bank deposits in July was $111 million, which is only $3.2 million more than the increase in July of 1952.

Problem of Mortgage Supply

Another problem is presented to the Savings and Loan executive particularly and that is the problem of mortgage supply. There was a time not long ago when construction loans were just as safe as home owner loans and for the simple reason that the builder could sell whatever he put up, almost from the plans. The building business, however, by reputation, is as speculative as is any other business. The risk factor in the building business, which was practically non-existing during the past decade, has become quite conspicuous of late and this fact is well known. There has been plenty of mortgage money for the home owner but the builder is finding it difficult to borrow and when he does find the money he has to pay a higher rate or a bonus. The building boom is definitely over the hill, aided and abetted by the obvious fact that new family formation has been in a decline for several years and will probably continue to decline until about 1957.

The comfortable balance which was almost guaranteed to the Savings & Loan executive until recently between mortgage offerings, new savings, minimum withdrawals and the almost riskless character of construction loans is a thing of the past. These factors no longer dovetail quite so well and as each changes its complexion it presents a problem.

Any problem properly analyzed is about three-quarters answered and any danger clearly anticipated is about three-quarters averted. It isn't the purpose of this discussion to indicate the ways and means whereby these problems may be solved. Conditions vary too widely for any such generalizations. If the fact is clearly recognized that the problems do exist, that they are likely to get worse before they are better and that, while the ultimate outlook for business is good, the immediate outlook is somewhat dubious, every good purpose which was intended by this discussion will have been served. If advice were to be sought, it could be given most concisely. Take it easy, watch your step and don't get too far off first base!

*Abstract of a talk by Mr. Townsend before Illinois Savings and Loan League, Chicago, Ill., Sept. 16, 1953.

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

Scattered factory shutdowns attributed to the exceptionally hot weather and the Labor Day holiday resulted in a moderate decline in the over-all level of industrial production in the period ended on Wednesday of last week.

Steel operations trended lower the past week and reports from automobile manufacturers stated that the production of passenger cars was curtailed in order to reduce dealers' stocks.

On the other hand electric kilowatt production climbed in the preceding week to 8,694,301,000 kilowatt hours. This was an 18.7% increase over a year ago and a new high for the second consecutive week. Abnormally high consumption of current for the two weeks was attributed to the heat wave which blanketed the East and Midwest, causing heavy use of air-cooling and refrigeration.

Employment in the latest week for which figures were available, remained close to peak levels with claims for unemployment insurance benefits showing a decline; further, they were substantially below those of a year ago.

Inventories slowed their recent uptrend during July, the United States Department of Commerce reported. On a seasonally adjusted basis, stocks held by manufacturing, wholesale and retail firms gained $600,000,000 during the month. This compared with an average monthly build-up of $700,000,000 during the second quarter. The ratio of inventories to sales was about the same as in the previous two months. July volume of these concerns totaled $47,800,000,000, down more than $1,000,000,000 from June. On a seasonally adjusted basis, however, the July sales rate was at a record level.

The effects of heavy inventories have been felt by a wide group of manufacturers in recent weeks, resulting in the layoff of workers. General Electric Co., it is reported, will furlough 700 employees in the home freezer and refrigeration department at its Erie works for two weeks, starting on Monday of this week, because of heavy inventories.

Crosley Division of Avco Manufacturing Co. will announce this week a layoff of some employees at its Richmond, Ind., plant, due to "the normal seasonal decline in refrigerator sales." In Illinois, the State Employment Service reported "slight layoffs are indicated between mid-September and mid-November in varied businesses.

The wave of payroll-chopping, which comes at a time of extremely high employment, reflects, it is understood, a combination of factors. In some instances, it's the result of material shortages stemming from strikes, but the most important single reason is a falling off in demand for some manufactured products.

Studebaker Corp. laid off between 5,000 and 6,000 employees at the close of last week, because of a one-third cutback in production starting this Monday. Harold S. Vance, President, cited slower deliveries throughout the industry as the reason for the cutback. "We are cutting back our schedules approximately one-third because we want to decrease the number of cars in dealers' hands," Mr. Vance stated.

This week, "The Iron Age," national metalworking weekly, reports that steel consumers are beginning to reap their first dividends from a buyers' market, as some firms have cut prices on certain products. So far only premium prices are affected. But prices could be slashed below regular mill levels if competition for orders continues to grow more keen. Price cuts have aroused keen interest but no panic in the trade. They were expected, it adds

Pure economics is beginning to dictate more nearly competitive prices by premium producers. They are faced with the alternative of slashing prices or operating at a lower rate, declares this trade journal.

The trend is already evident: premium prices are on the way out. From now on steel producers will watch the competition like a hawk in an effort to detect any price cuts before available business has been booked. And older heads will remember price wars of the thirties, hoping they are not to be repeated.

But concessions or inducements to consumers do not always take the form of lower base prices. Lower costs to consumers

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World Bank's Panel Discussion on Foreign Investment

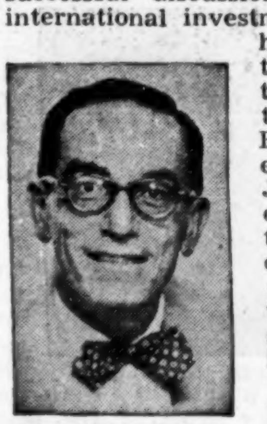
(Left to right): Sir Jeremy Raisman; Franz Schneider; George Woods; John J. McCloy; Sir George Schuster; Abdel Galeel El Emary; Luis G. Legorreta; and Sir Benegal Rama Rau.

A Full-Dress Airing of Pressing International Economic Questions

By A. WILFRED MAY

Mr. May depicts viewpoints of both lenders and borrowers of private capital, as revealed at World Bank's full-dress panel discussion. Finds world continues to look for subsidies from Uncle Sam; and that seems to be only nation genuinely interested in dis-inflation. Gold price-rise proposal repeated. Czechoslovakia given Dec. 31 expulsion-ultimatum for payment of overdue subscription.

WASHINGTON—Using the medium of the panel, a uniquely successful discussion of private international investment resulted here. Under the aegis of the International Bank's Board of Governors, John J. McCloy as chairman of the discussion, organized the group into those "representing" the investor, those "representing" the borrower, and a "referee." In the first group were Sir Jeremy Raisman, Vice-Chairman of Lloyd's Bank of London, George Woods, Chairman of the First of Boston Corp., and Franz Schneider, Executive Vice-President of Newmont Mining Company. Discussing the possibilities from the lenders' viewpoint were Sir Benegal Rama Rau, Central Bank head of India, Abdel Galeel El Emary, Minister of Finance and Economy in Egypt, and Luis G. Legorreta, head of the Banco Nacional of Mexico. Sir George Schuster of the U. K., a director of the Westminster Bank, as "referee," was, in the words of Chairman McCloy, quoting a proverb, a sort of hermaphrodite between the two above-classified "sexes." The spectators included Secretary of the Treasury Humphrey.



A. Wilfred May

Importance Correlated with Aid Reduction

Such discussion of the private investment potential is particularly timely now because of the pending further cuts in aid at the government level.

As Mr. McCloy pointed out, it is not usually realized that there is still a large volume of private capital exports. While in the United States their *kind* has changed considerably since prewar, their *quantity* remains undiminished at $8 billion annually. The investments have shifted from private investors' purchases of portfolio securities, *particularly bonds*, to investments by large corporations through direct interest in the enterprises. They have concentrated in Canada and the Caribbean area where there is convertibility. Likewise, London capital has been going mainly to the sterling area.

This kind of sophisticated discussion reveals basically that, exclusive of elements of capital transfers and other mechanics of finance, the problem involves deep psychological and ideological elements.

This is not to deny that there is a wide variety of impediments to an adequate flow of private capital for investment abroad. As Sir Jeremy Raisman ably pointed out, these include (1) political tension, (2) the incompleteness of financial reconstruction, (3) the bad "climate" resulting from expropriation, and (4) xenophobia.

Mr. Franz Schneider, official of one of the largest American corporate investors, depicted in great detail the discouragement presented by the American tax laws.

But, it seems to this observer, the most important contribution that can be made to this problem's discussion is realistic demonstration of the actual *do-re-mi* competition at home from readily available American securities. This was most ably supplied here by the "grass-roots" Wall Street investment banker, Mr. Woods. As he pointed out, the risk-assuming investor can in the United States secure as much as 8¾% on representative steel company equities; and the fiduciary manager of capital 5½% on rock-ribbed public utility shares; and over 5% on the highest grade stocks in the super-strong American corporations. He could have gone on to cite the long list of Exchange listed equities selling at fractions of their net quick liquidating value (working capital less all debt, funded and current). With the subsequent bearish market swing, these competing values become all the more important.

The "Pro-" Team

As a springboard the undeveloped areas' protagonist, Sir Benegal Rama Rau, referred to the need for continued government aid. He advanced detailed and varied protestation in behalf of India's good behavior, including non-discrimination and non-restriction albeit he justified the screening of foreigners' capital because of the need for limiting profit withdrawals thereon; as well as for the prescription of employment by Indians. No reference was made by him or any other speaker to the disturbance to the equanimity of prospective lenders that has ensued from the gestures toward sanctifying nationalization which were made at the United Nations' Economic and Social Council sessions of last year.

Insurance Proposed

Quite typically, El Emary offered our "exploitations" of the past and as an alibi for the sins of today's borrowers "who are no angels," and blamed us for our restrictive tax provisions as well as for extending inconvertibility through trade barriers. The interesting proposal for *insurance* of risks from possible expropriation and the like to be pooled through an international insti-

Continued on page 47

Our Foreign Aid Program Needs Careful Study

By HON. GEORGE HUMPHREY*
Secretary of the Treasury

Secretary Humphrey, in statement regarding foreign aid policy, expresses view time is past when this nation can create strength abroad "by global boondoggling and handouts wrung from taxpayers." Proposes paying more attention to promoting use of foreign rather than U. S. investment capital abroad. Stresses importance of maintaining U. S. credit and a sound dollar.

We have recently been giving special attention to the area of foreign investment and considering what are the appropriate roles for the United States investor and the United States Government. During the past few years American private investors have invested or reinvested abroad about a billion dollars a year net. These investments have been primarily in the dollar area. Early postwar private capital outflow was concentrated in Latin America, and Canada has taken an increasing amount in the last few years. Petroleum investments, which bulked large at first, have declined from the 1949 peak, and in 1951 the flow of petroleum investment was substantially less than the total invested in all other industries together. These substantial net U. S. private investments have exceeded by more than four times the combined annual net disbursements on loans of the International Bank and the Export-Import Bank.


George Humphrey

During the last three years the International Bank has disbursed more than $400 million. The Export-Import Bank paid out nearly $900 million and received capital repayments of $565 million, resulting in net payments to foreign borrowers of slightly more than $300 million. What these two banks have accomplished in recent years and what they can best achieve in facilitating private investment and economic development abroad in the coming years is a subject which you gentlemen will be thinking about.

In this connection we suggest that the two institutions should complement each other and overlap in their respective activities to the least possible extent. To accomplish this result it seems to us that the names of the institutions are of real significance and may be a guide to their respective fields of activity. The International Bank for Reconstruction and Development implies loans of a capital nature of long duration and for construction and development purposes. The Export-Import Bank implies the aid to exports and imports and to current trade by loans of much more rapid turnover and shorter duration. Indeed, the whole set-up for each institution is such that if confined to their respective fields much more definitely than has been the practice of the past a broader combined service can be given and competition between them practically eliminated.

Last week, as you may know, Senator Capehart, Senator Maybank and some of the rest of us attended the Annual Meeting of the International Monetary Fund and the International Bank for Reconstruction and Development. One of the sessions was devoted to a very interesting panel discussion on the role of private international investment in underdeveloped countries. We found it very enlightening to hear the views of outstanding representatives from some of the capital exporting countries as well as from countries seeking capital such as Egypt, India and Mexico. There is an obvious and important role for private enterprise to play in foreign investment. In fact, I hope that a much larger and more important role lies ahead for the profitable investment of private capital and technology abroad. These discussions will be published and available to you. I recommend them to you for study.

Since the end of the war, many countries abroad have been looking to the United States for assistance in financing their economic development. In many instances foreign countries have preferred to obtain their assistance from governmental sources. This raises the very serious question of to what extent this practice should be followed in the future and how it can best be provided, to whatever extent it seems best to carry it on.

Attract Foreign Capital

Some countries have taken only limited steps to provide the conditions under which private investment will voluntarily move abroad on the basis of normal economic considerations. More attention must be paid abroad to making investment attractive to foreign capital. The countries which have made the greatest strides in their development over the years are the countries which have provided the conditions under which private capital was most willing to invest. The United States and Canada are two of the most conspicuous examples of countries which have in the last century moved from the state of underdeveloped countries to strong industrial countries in a position to export capital. But I remind you that our development and Canadian development was on the basis of private investment voluntarily made. Countries will be better off if their capital requirement can be met by securing private investment, which brings with it not only money but technical know-how, established trade connections, and business experience.

I cannot foretell what you gentlemen are going to suggest as proper policy for the United States Government to apply in the field of foreign investment and I am sure there will be different views. I do not wish to prejudge the conclusion which may be reached either by this advisory group or by Senator Capehart's Committee. However, as Secretary of the Treasury I do want to make clear to everyone that the government must question both its right and its financial ability to continue to use taxpayers' money to finance investments abroad on a large scale in the development of competitive enterprise.

Our scale of taxation is already too high and to maintain a sound and honest dollar we must bring our own expenditures and revenues into balance. We must continue to examine most carefully every proposal to spend money, whether it is a proposal for spending at home or abroad. The maintenance of our credit and of a sound dollar is most important for foreign countries as well as it is for us here at home. Prosperity in the United States is essential for prosperity in the rest of the world, and it is not only our duty but it is for the best interests of everyone concerned that we keep that fact always uppermost in our minds.

*A statement by Secretary Humphrey before Senator Capehart's Advisory Group on International Trade, Washington, D. C., Sept. 15, 1953.

Funston Calls for Full Disclosure and Audited Reports

Keith Funston, President of the New York Stock Exchange, on Sept. 14 called for a policy of "full disclosure and audited reports" by all corporations and organizations—foreign and domestic—who seek the capital of private investors.


G. Keith Funston

Mr. Funston spoke to Governors and Officers of the International Bank for Reconstruction and Development at a luncheon given at the Stock Exchange in their honor.

"This policy of full disclosure has become so established in this market that without it I believe it would be impossible to compete for the average investor's hard-earned dollar."

The Exchange can facilitate the flow of U. S. capital abroad, he declared, by listing securities of established foreign enterprises and by helping U. S. companies to raise equity capital for direct investment in overseas developments.

Mr. Funston pointed out that the Exchange provides a market place for 262 issues of non-United States governmental and corporate bond and stock issues.

"I would like to mention also," he added, "that no less than 420—over 50%— of our listed United States industrial companies have direct investments of their own abroad in the form of subsidiaries and plants."

Mr. Funston, with Richard M. Crooks, Chairman of the Exchange, and Governors of the Exchange, entertained 17 World Bank Governors. The Governors included delegates from China, Cuba, Dominican Republic, Finland, Germany, Guatemala, Honduras, Italy, Jordan, Mexico, Nicaragua, Philippines, Thailand, Turkey, Iran, Union of South Africa, and Yugoslavia.

Robert L. Garner, Vice-President of the Bank, also attended the luncheon along with members of his staff.

Chemical Retorts and Reports

By IRA U. COBLEIGH
Author of "Winning in Wall Street"

An interim look at a few chemical companies and their prospects in a securities market that seems to be lowering the boom.

The 124th convention of the American Chemical Society which was just concluded in Chicago last week provides an excellent topical background for chemical chatter today. Some of the hundreds of scientists then milling about in the Windy City, must by now be ready to spring upon an eager public, some new lab leader, be it silicone, earth mold, enzyme, or plastic. Some of these distinguished test tube technicians came out with new anti-biotics for halo-blight. I looked closer and found, however, that this particular kind of halo-blight bothers beans and not people—which must be reassuring to clergymen. Other chemical creations in the offing can preserve meat, fish and beer with no noticeable effect, either good or bad, on halos (except perhaps, on the heads of beer). Well, enough of this kind of stuff. Let's draw a bead on our chosen topic, namely, retorts (containers for fluids), and lab reports.


Ira U. Cobleigh

Truly a Growth Industry

The chemical industry is one truly classed as a growth one. Lots of lines get thus classified, only because they manage to keep up with the growth of our population, or perhaps exceed the national rate of productivity increase—around 3% a year. Chemistry, however, beats these expansion rates by a long shot, and shows no signs at all of attaining what classical economists delight to call, industrial maturity. The closest they (the chemicals, not the scientists) come to that dubious and semi-mythical goal is, among a few of them, investment status; for, of all the stocks listed on NYSE and paying dividends without hiatus for 20 years, 48 happen to be chemicals. But even this notable dividend stability among the leaders, does not dim the luster of the "growth" tag, for chemical shares have had, and have, even in the sunburnt markets of today, the highest price/earnings ratio of any security group—over 15 times. And no stock can sell at 15 times earnings unless there's a belief, widely held, that earnings of the future can expand elegantly.

The growth factor here is also splendidly demonstrated by expenditures on plant expansion and improvement. It is characteristic, in an enterprise economy, for new money to be attracted to, and spent in, those industries where the prospect for large and increasing returns is indicated. The chemical field must qualify thus, for this industry laid out about $1.3 billion for new or improved plant facility in 1951, $1.5 billion last year; and will, for this year, about duplicate the 1951 outlay. While much of this advance in plant assets was from retained earnings and depreciation, large security underwritings, bonds and shares have, as you know, been necessary.

Well, where are we today? Was all this new plant building wise, or are chemicals now ripe for those economic ailments that always seem to follow big increases in productive capacity. The answer must be qualified a little. On March 17, 1953, the last of the chemical price controls (on sulphur and sulphur derivatives) fell by the wayside and, today, most chemicals are heavier on the supply than the demand side, virtually no shortages exist, and all but a few major lines now find themselves in a buyers' market. This is partly due to increased capacity already alluded to, partly due to production declines in the plastic and textile industries, and in the stretch out of defense production.

Expanding Markets

Let's look at a few of the heavy chemical staples (the inorganics—so called because they're made from stuff that never lived—like rock). Sulphuric acid is an old standby turned out by fertilizer and chemical companies generally. Over 13 million tons were produced last year. The stuff is used in almost every industry except leather and wood; and the vastly expanding output of titanium metal opens a brand new market. Next to sulphuric acid, soda ash is in volume our most important inorganic. Thirty percent of the current 4.8 million ton annual production goes into glass. This soda ash is turned out by Allied Chemical, who lead in the field, as well as by Diamond Alkali, Mathieson Chemical, Wyandotte, and American Potash. Price was advanced 15 cents per hundred pounds May 1, 1953.

Half as big in total as soda ash is caustic soda, used importantly for rayon and cellulose film, and in soap. Next follow in order, chlorine, ammonia, and nitric acid, all in supply now with some price declines noted during the current year but no dangerous imbalances evident.

Plastics and Fibers

But the big forward motion in chemicals in recent years has not been in these old standbys, but in synthetics and petro chemicals, used in the most expanding industrial sections, plastics and fibers. For years, coal was the base for these synthetics — now it's mainly petroleum and natural gas, which by devious cracking and distillation exude phenol, ethylene, polystyrene, all basics for plastic. There are also fast growing cellulose plastics from wood pulp which you see in toys and kitchenware. And synthetic fibers, which have come to you as Nylon, Orlon, Dacron, Dynel and Acrilan, are growing at a fabulous rate. The fact is that these fibers and plastics, plus the pharmaceuticals, have been supplying the chemical dynamics; and the companies devoted to their production have been impressive earners.

Well, we got in a bit deeper in our chemical catalog than I intended to. Let's turn from fibers to finance. Which companies today look the sturdiest? Which should defend best against a weak stock market and yet provide an equity escalator in the better days that may lie ahead?

Some Industry Leaders

Certainly the road to investment blunder can hardly be said to lie in considering **Union Carbide and Carbon Corporation.** Here you have the second largest chemical enterprise, about to enter, this year, into the billion dollar per annum sales club.

For each year in the decade 1942-52, this distinguished performer earned, pre-tax, above 20% on sales, and for 1950, over

31%. This is a terrific performance.

UCC is the largest producer of plastic elements, with polyethylene growing fastest (800% since 1947); and its Bakelite line of phenolic resins, heavily used in television housings, furniture and automotive parts. It's big in alloys and metals with its ferro alloys widely combined with steel and aluminum. Perhaps best known are its carbons and batteries, its "Eveready" battery and "Prestone" anti-freeze being virtual household words.

UCC is also a powerful factor in industrial gases, through Linde Air Products. Almost everything you can extract from the air is extracted and used—neon, helium, nitrogen, argon, xenon and oxygen, this last, the basic for the oxy-acetelyne process in the steel industry. And in fibers, UCC pioneered Dynel.

Quite a company you'll agree, this Union Carbide and Carbon. Its 28,806,344 shares of common pay $2.50 apiece against $3.41 earnings in 1952. Improvement in net of as much as 50 cents a share seems possible this year, even with EPT. The stock has been a blue chip for years and it was bought this year by Institutional Investors Mutual Fund, Inc., the mutual through which Savings Banks in New York State may buy common stocks.

Mathieson Chemical is no company to ignore. Long a leader in production of soda ash and chlorine, by merger with E. R. Squibb & Co. a year ago, it added new horizons in drugs and cosmetics. The benefits from this merger are beginning to show and should be reflected in 1953 net. Common is listed on NYSE, pays $2 currently. It has a lot of value at 35.

Commercial Solvents had its own little depression in 1952 when sales dipped 18% and net descended to 94 cents a share. A program of expansion and diversification (involving less emphasis on alcohol) should benefit earning power in the long run, and some improvement in net seems in order for 1953. Shares have been beaten down in recent market to around 16, at which level they look a lot more attractive than when they sold at 35⅛ in 1952. The $1 dividend appears likely to be maintained.

Somewhere along the line a kind word should be said about pharmaceuticals. They had a big market go of it in 1951, but what with penicillin prices falling, and certain wonder drugs not living up to their billing, a considerable erosion of share prices set in. For example, **Chas. Pfizer & Co.** common slipped from 46⅞ to below 30. Yet PFE deployed $30 million in new funds (1951) into plant expansion, which dough should, in due course, pay off. The company has an excellent research department and is the leader in processes of fermentation. It has three separate sales divisions, Agricultural (Terralac and animal vitamins), Foreign, and Anti-biotics. This last section is increasing the sales under the Pfizer label, reducing in this way, less profitable wholesaling.

It seems reasonable that PFE common can earn upwards of $2.50 this year. This compares with $2.17 last year, and supports current dividends ($1.15) quite decently. Somewhere between below 30 PFE may be ready to start up again. In the past decade, it's been a fabulous gainer.

International Minerals and Chemical Corp. has just come out with a statement showing a slight per share dip from $2.90 last year to $2.87 this year (ended June 30) but on a larger number of outstanding shares. Gross sales advanced 5% to $89 million (a new high). The new Florida phosphate plant appears to be entering a phase of full profitability.

IGL has been respected for its management, its sound expansion program and its rank among the leaders of the agricultural chemicals. Flirting with the year's low, at 28, and paying $1.60, it should have some place to go, maybe up.

This chemical field is just too big to compress into a column of this sort. More space should be given to include treatment of such as **American Cyanamid; Dow; Monsanto** and **Abbott Laboratories** which look just that much better with each point the current bear market shears off. The chemical industry cannot continue its present dazzling growth rate and have its shares go down forever. Just because optimism is waning, is no reason to throw in the sponge. It always has stopped waning!

Chemical Process Seen Solution To Radioactive Contamination

Research chemists of Foster D. Snell, Inc., of New York report results of experiments with a sequestering chemical that seems to trap and waste away radioactive molecules.

Experiments which give helpful hints to the housewife should she ever have to remove radioactive contamination after an atomic attack, and which help explain the cleaning action of soap and other cleaners, were described at the 124th national meeting of the American Chemical Society in Chicago on Sept. 7.

Dr. Foster D. Snell

Dr. Foster D. Snell, President of the chemical consulting firm of Foster D. Snell, Inc., New York, speaking at the Division of Colloid Chemistry meeting of the Society said it was possible to remove up to 98.8% of the contamination from surfaces coated with radioactive earth by the use of simple household chemicals.

Lloyd Osipow, Gonzalo Segura, Jr., and Dr. Cornelia T. Snell were co-authors of the report, which urged the use of soap or a detergent in combination with a so-called "sequestering" or trapping agent to clean radioactive surfaces. The report said soap alone was not so good as soap with the sequestering chemical.

The sequestering chemical suggested was a modified form of sodium hexametaphosphate, sold commercially as Calgon. The compound seems to trap the radioactive molecules and when washed away it carries the radioactive earth with it, Dr. Snell explained.

In one experiment, water alone removed 47% of the contamination from frosted glass; a 1% soap solution took off 81%, and a soap plus the sequestering chemical removed 98.8% of the contaminant.

The Snell chemists went further. They tried to find out whether the the physical form of the cleaning agent solution had anything to do with its cleansing power. Accordingly, they prepared two mixtures of the same materials. One mixture was an emulsion in which the detergent particles were finely distributed throughout the water. In the other cleaner, the detergent and water remain as two distinct layers. This type mixture is called a two-phase or diphasic "system."

Further testing showed that the diphasic mixture was superior to the emulsion in removing dirt. Apparently the emulsion forms a barrier over the dirt and prevents further cleaning action, while the diphasic cleaner forms no such barrier.

They also found that the diphasic cleaner removes the radioactive salts to a greater extent than the soap solution.

Dr. Snell predicted that the principle would be important in the metal industry, where the cleaning of metals is often essential.

Wm. A. Randall Now With Drexel & Co.

PHILADELPHIA, Pa. — Drexel & Co., 1500 Walnut Street, members of the New York and Philadelphia-Baltimore Stock Exchange, announce that William A. Randall is now associated with their firm.

Prior to joining Drexel & Co., Mr. Randall was associated with Halsey, Stuart & Co. Inc., for more than 25 years. A resident of Wayne, Pa., Mr. Randall attended Harvard and Johns Hopkins Universities and is a member of the Harvard and Rittenhouse Clubs of Philadelphia.

With A. C. Allyn Co.

(Special to The Financial Chronicle)

ROCKFORD, Ill.—William G. Myers is now affiliated with A. C. Allyn & Company, Incorporated, 303 North Main Street.

With State Bond & Mtg.

(Special to The Financial Chronicle)

NEW ULM, Minn.—Phillip A. Sundahl has joined the staff of State Bond & Mortgage Co., 26½ North Minnesota Street.

Dealer-Broker Investment Recommendations & Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Bank & Insurance Stocks — Tabulation — White & Company, Mississippi Valley Building, St. Louis 1, Mo.

Deflated Stocks—Review—Ira Haupt & Co., 111 Broadway, New York 6, N. Y. Also available is a memorandum on **Wisconsin Central Railway.**

Growth Companies—Report—J. A. Hogle & Co., 507 West Sixth Street, Los Angeles 14, Calif.

Investment Opportunities in Japan—Circular—Yamaichi Securities Co., Ltd., 111 Broadway, New York 7, N. Y.

Over-the-Counter Index—Folder showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 13-year period — National Quotation Bureau, Inc., 46 Front Street, New York 4, New York.

Products and Processes—Illustrated booklet describing use of alloys, carbons, chemical, gases and plastics made by Union Carbide—ask for booklet G—Union Carbide & Carbon Corporation, 30 East 42nd Street, New York 17, N. Y.

Television—Plus color—Analysis—Bache & Co., 36 Wall Street, New York 5, N. Y.

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Alleghany Corporation — Circular — Hardy & Co., 30 Broad Street, New York 4, N. Y.

American Stores—Memorandum—Emanuel, Deetjen & Co., 120 Broadway, New York 5, N. Y.

Arkansas Fuel Oil Corp.—Data—Dreyfus & Co., 50 Broadway, New York 4, N. Y. Also available is data on **Union Oil Co.**

Atlas Corp.—Memorandum—Hirsch & Co., 25 Broad Street, New York 4, N. Y. Also available are memoranda on **Cities Service Co., E. I. du Pont & Co., Mathieson Chemical,** and **Sutherland Paper.**

Bailey Selburn Oil & Gas Ltd.—Memorandum—Blair, Rollins & Co., Inc., 44 Wall Street, New York 5, N. Y.

Bell & Gossett Company—Analysis—Hill Richards & Co., 621 South Spring Street, Los Angeles 14, Calif.

Central Public Utility Corporation—Card memorandum—Link, Gorman, Peck & Co., 208 South La Salle Street, Chicago 4, Ill.

Central Vermont Public Service Co.—Booklet—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Compo Shoe Machinery Corporation—Bulletin—de Witt Conklin Organization, 100 Broadway, New York 5, N. Y. Also available is a bulletin on **Erie Forge & Steel Corporation.**

Crane Company—Data in current issue of "Gleanings"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also in the same issue are three selected lists for investment backed by quarter century dividend paying records. Also available is a list of high yield issues.

L. A. Darling—Information—Moreland & Co., Penobscot Building, Detroit 26, Mich.

Dayton Power & Light—Memorandum—Josephthal & Co., 120 Broadway, New York 5, N. Y.

Durez Plastics & Chemicals—Memorandum—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y.

Foremost Dairies—Memorandum—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

General Beverages, Inc.—Analysis—Aetna Securities Corporation, 111 Broadway, New York 6, N. Y.

General Telephone Co. of Ohio—Memorandum—Fewel & Co., 453 South Spring Street, Los Angeles 13, Calif.

Getchell Mine, Inc.—Analysis—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis.

Giant Mascot — Memorandum — Western City Co., 544 Howe Street, Vancouver, B. C., Canada.

Gulf States Utilities Co.—Memorandum—David A. Noyes & Co., 208 South La Salle Street, Chicago 4, Ill. Also available is a memorandum on **Tennessee Gas Transmission.**

International Minerals & Chemical Corporation—Annual report —International Minerals & Chemical Corporation, 20 North Wacker Drive, Chicago 6, Ill., or 61 Broadway, New York 6, New York.

Kerr-Addison Gold Mines, Ltd.—Review—James Richardson & Sons, 173 Portage Avenue, East, Winnipeg, Canada, and Royal Bank Building, Toronto, Canada.

Northwest Ventures—Memorandum—C. M. Oliver & Co., 821 West Hastings Street, Vancouver, B. C., Canada.

Riverside Cement Company—Analysis—Lerner & Co., 10 Post Office Square, Boston 9, Mass.

Southwestern Development Co.—Bulletin—Wells & Stanton, 1517 Texas Avenue, Lubbock, Texas.

Spencer Chemical Company—Report for fiscal 1953—Spencer Chemical Company, Dwight Building, Kansas City 5, Mo.

Tennessee Products & Chemical Corporation — Analysis — H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Texas Eastern Transmission Corp.—Memorandum—First California Company, Incorporated, 300 Montgomery Street, San Francisco 20, Calif.

Tucson Gas Electric Light & Power — Memorandum — G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y.

West Virginia Coal & Coke—Analysis—Oppenheimer & Co., 25 Broad Street, New York 5, N. Y.

Winn & Lovett Grocery Company—Annual report—Winn & Lovett Grocery Company, Jacksonville, Fla.

THE MARKET . . . AND YOU

By WALLACE STREETE

Action in the stock market made plenty of news this week but, unfortunately, virtually all of it was on the bad side. Volume expanded sharply to the highest levels seen since the first week of April but came on a sell-off during which new lows were posted for the year for the third week running. And the market has yet to indicate clearly where it will find a base on which to make a stand for a worthwhile recovery.

* * *

That phenomenon missing recently—a late tape—showed up again for the first time since April 7. No less than three times on Tuesday the orders were so bunched that the tickers were unable to keep abreast of floor transactions. Margin selling short covering, and plain selling and buying all had their play in different stages of the day's trading.

The week served effectively to end all the debates over whether earlier sinking spells constituted anything in the way of a "selling climax" and, strangely, the better than four-point beating that started the week didn't start the usual arguments over whether it, in turn, was such a temporary end to the trouble.

* * *

Technically Weak

Mostly, it was because the market is still technically weak. Stock prices, on average, worked a bit into the 255 resistance level. Whether this area, which was able to stop declines on three occasions in 1951 and 1952, will produce the required support this time is a moot question. In fact, majority opinion looks for a floor somewhat lower than this level. An outside limit of around 225 which would entail a retracing of approximately half the gain of the four-year-old bull market has rather widespread following.

* * *

Few Bright Spots

Bright spots in the list were somewhat hard to find. Few were able to shrug off the entire matter since a 20-point decline in about a month sets up quite a trend. General Foods was one of the brighter of the leaders, holding closer to its year's high than to the low. But like the rest it had some moments of irregularity. Still, holding to a level that is above the highs of any year since 1946 throughout such a deluge, is sterling action.

* * *

American Telephone which, for the first time, didn't sell-off on news of still another convertible debenture issue, was also regarded as turning in a superior performance. Its daily price movements were all orderly and throughout it has maintained remarkable stability despite the weight of another quarterly $2.25 dividend trim.

* * *

Oils have shown little in the way of commendable action and the first of the expected post-Labor Day cuts in gasoline prices didn't do much to help sentiment. First Sinclair, then Richfield and finally a couple of the members of the Standard group came in for some vicious selling in turn.

* * *

Automotives were also prominent on the losing side, tempered this week by award of tank and truck contracts to the industry which benefits mostly General Motors and Reo. Little Reo, however, showed the best luck in bucking the trend.

* * *

Public's Participation

About the most significant part of the week's event was a growing participation by the lay public which has been aloof from the market for so long. The weight was on the selling side, obviously. That the year has been considerably less than a success for the public is a foregone conclusion. But up to now the constant attrition throughout the list has left the public remarkably undismayed and a lot of what happens in the future depends on how general the public reaction will become.

* * *

The decline again testified that when the race is downhill, selectivity goes out the window. Such stalwarts as Commonwealth Edison, Consolidated Edison, Houston Lighting and Philadelphia Electric were able at times to post losses wide enough to wipe out the gains achieved tortuously over long periods.

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Tobaccos, too, gave little evidence of the "defensive" nature supposedly inherent in this industry. American Tobacco, particularly, backed up rather sharply.

* * *

Considering the antipathy toward "defense" issues, the aircrafts have little to apologize for in their performance. Naturally they swayed with the trends, but the prime producers showed little signs of indiscriminate dumping which might have been expected in a peace-plus-recession psychology sufficiently shaky to slash the list so sharply elsewhere.

* * *

Contrast With 1946

Many of the brokers have spent days drawing a parallel between events this year and those of 1946 but here, again, the market refuses to conform. Little comparison can be gleaned between the rather wild sell-off of the 1946 break and the highly orderly decline of this year. For one, at that time stocks were selling anywhere up to 25 times their earnings and yields averaged somewhere around 4%. Most of the issues that have been featuring in activity this time have been selling at around 9 to 10 times earnings and yields are around 6%. Some of the rails especially are now down to around 2 to 3 times earnings which could, in part, be due to the postwar reluctance of rail managements to pass a proportionate share of earnings along to dividends. Nevertheless, it suggests that either the selling is being overdone in a few instances, or rail earnings will have to do more than merely slump to justify such a dim market outlook.

* * *

Steels are another case where the market opinion is particularly dour. Yields of from 8 to 10% on these traditional bellwethers would seem to suggest that far deeper production cuts are ahead than anything now anticipated, with considerable doubt being expressed in

Continued on page 46

U. S. Stake in World Trade

By J. PETER GRACE, JR.*
President, W. R. Grace & Co.

After stressing the magnitude of our world trade in terms of dollars and its relation to other phases of economy, executive of prominent shipping and trading organization points out dependence of our leading industries on exports and imports. Advocates more capital investment abroad and predicts more mutual respect in international economic relations. Urges a transition period during which we help other nations reach currency convertibility, and proposes a U. S. Hemispheric Stabilization Fund.

The most obvious fact about our stake in world trade is its very magnitude—both in terms of dollars and in relation to other phases of the American economy. In 1952, we exported over $15 billion worth of our products. This represents 4.5% of the gross national product. This vast sum is over 1½ times the value of the entire production of motor vehicles in the United States. It more than equals the value of the entire annual production of the national textile industry and it exceeds one-half of our national cash farm income. Our imports during the same year amounted to approximately $11 billion or 3.3% of the gross national product.

J. Peter Grace, Jr.

Over 2,500,000 industrial employees are directly dependent for their livelihood on the export business.

I am sure you agree that it is really impossible to separate the stake of United States business in world trade from the stake of each and every one of us—the stake of the consumer, the stake of the farmer, the housewife, the factory laborer, the stake of our government, the stake of our system of free enterprise and the stake of our posterity for whom we are hoping to make a decent world.

The inseparability of the subject is such that one's mind immediately turns to the immortal and familiar words of the poet John Donne, written more than 300 years ago, that "No man is an island, entire of himself; every man is a piece of the continent, a part of the whole; if a clod be washed away by the sea, Europe is the loser—any man's death diminishes me, because I am involved in mankind; and therefore never send to know for whom the bell tolls; it tolls for thee."

It seems to me that in approaching this subject the first thing to do is to try to measure and define the stake of United States business in world trade. Then let us examine the problems and obstacles which confront our foreign trade, and then let us approach those problems with a view to producing some suggestions which might possibly start us thinking along fresh lines toward their solution. Let's start at home.

Mississippi's 122,000 cotton farms—the largest number of any state in the union—produce every year between 1,500,000 and 1,800,000 bales of cotton. Mississippi's production has a value in the neighborhood of $300 million which runs very close to 75% of the cash market value of all Mississippi farm crops, home consumption excluded.

In the marketing year ending July 31, 1952, the United States exported 5,519,000 bales of cotton which represents 36.6% of the national raw cotton production. In each of the last few years exports have taken about 40% of the production of our cotton plantations, which simply mans that in order to keep our cotton business at its present level we have to export one out of every 2½ bales, and there must be someone in a foreign country with the dollars to pay for it.

Importance of Cotton Exports

This whole subject is, of course, extremely vital, particularly when one reads the latest estimates of the Department of Agriculture indicating a 1953 cotton crop of 15,159,000 bales — 554,000 bales up from last month's estimate and almost 3 million bales over the 10-year-average output of 12,215,000 bales. This is estimated to be 3 million to 3.5 million more bales than the Department of Agriculture's estimate of what is required, taking into account the shrinking export market and overall domestic demands.

Under the law the tightest lid the Secretary of Agriculture could put on cotton would be to restrict marketing to 10 million bales, which could be produced on about 17.5 million acres which is about 7 million acres less land than cultivated in cotton on July 1 of this year.

The 1953 situation shows estimated production of 15.2 million bales plus imports of 150,000 bales plus estimated carryover of 5.5 million bales equals total supply of 20,800,000 bales—against this is the estimated normal demand of 9.5 million bales in domestic consumption plus 3.5 million bales which we hope to export. If we take 7 million acres of land out of cotton production on top of a corn acreage reduction we can easily see how important the export market is even to those who depend solely on domestic sales for their markets.

The only thing that will prevent foreign nations from buying our cotton will be the wherewithal that they have to use, which means that we have to buy from them in ever increasing quantities. There is no shadow of a doubt that a serious blow to Mississippi Delta cotton with its resultant cuts in acreage would affect all the U. S. economy. It would mean lay-offs, and cut-backs, and those mean that people stop their payments on houses and cars and refrigerators and dentist's bills, and the rest of the dismal downward spiral is familiar to you, particularly those among you who remember the last depression.

Output of Basic Industries Dependent on Exports

Let me illustrate this by means of naming to you a variety of basic American industries and with each one let me give you the percentage of its output which goes directly into export sales.

Here are a few examples:

Refrigerators	13%
Trucks and Tractors	9
Machine Tools	11
Rolling Machinery and parts	35
Textile mill machinery	22
Sulphur	25
Tallow	45
Dry whole milk	43
Rice	38
Wheat	58

As a percentage of the total national production of all movable goods, i.e., everything we produce other than houses, buildings, etc., exports represented 8.8% of our 1952 production, and they have been running at more than 9% ever since World War II. That 9% is a mighty important figure and there is no doubt that it represents the difference between profit and loss to many of us, and we know it means the difference between jobs and unemployment to millions of men. You among the group who are bankers know what such a blow would do to the private credit structure of the country at this time.

Imports are just as important a part of the stake of United States business in world trade as are our exports. In fact, imports touch our daily lives perhaps more noticeably than do exports, but so few of us ever stop to realize how close they are to us. How many of us think of foreign trade at breakfast, for example, as we may be dropping a lump of Cuban sugar into our cup of Brazilian coffee, which may have come from a can containing Bolivian tin? Our coffee cup itself may be of Holland china. Who thinks of foreign trade as he scents the aroma of Turkish tobacco in his American cigarette and opens his daily newspaper printed on Canadian newsprint? Yet it is everywhere—we wear suits of Australian wool and shoes tanned with Argentine quebracho; the rubber in the heels is from Malaya. The straw in our hats comes from Ecuador, and so on through our daily life. The most commonplace articles we know, yet those which really make the American standard of living and the American way of life, find their way into our homes through the channels of foreign trade—bananas and pineapples, coca-cola and chewing gum, tea and chocolate, silk and silver, platinum and porcelain—the list would be endless— but it does well to remember it from time to time.

Problem of Strategic Materials

But before we leave the subject of imports we must focus our attention for a moment on the serious problem of strategic materials, for they are inexorably a part of the stake of United States business in world trade. Since it is a simple physical fact that many of the most essential strategic materials do not exist in the earth of this country, they must be imported, come what may.

You are all familiar with the grim picture shown in the Paley Report (which is the name given to the study made by the Materials Policy Commission, entitled "Resources for Freedom"). I shall not burden you with a listing of all the essential strategic materials which we must import in ever increasing amounts in the future. I would like, however, to repeat to you the dramatic illustration of our present dependence on essential imports which was spelled out to the National Foreign trade Council by John D. Small, then Chairman of the Munitions Board of the Department of Defense.

He said, "An illustration of this dependence (on imports) is the M-47 tank which requires: 1,915 pounds of chromium, of which 98% is imported; 950 pounds of manganese, of which 93% is imported; 520 pounds of nickel, of which 99% is imported; 100 pounds of tin, of which 100% is imported; 6,512 pounds of bauxite, of which 65% is imported; 1,418 pounds of copper, of which 42% is imported."

A few additional examples of our essential imports as percentage of our requirements will complete the picture:

Industrial Diamonds	100%
Mica	96%
Asbestos	92%
Mercury	92%
Cobalt	93%
Antimony	50%
Cadmium	50%
Bismuth	50%
Columbium	100%

The vital importance of our foreign trade is clearly recognized by our government. In his message of May 1 recommending the establishment of a Commission on Foreign Economic Policy, President Eisenhower focussed on the basic point.

The President said: "The economic policy of this nation exercises such a profound influence on the entire free world that we must consider carefully each step we take. Changes in the foreign economic policy—even those which at first have relatively slight consequences within this country—may either strengthen our allies or plunge them into a downward spiral of trade and payment restrictions, lower production, and declining standards.

"Our foreign economic policy also has important implications here at home. Declining imports will necessarily mean falling exports, resulting in a serious loss of markets for our agriculture and other industries. Expanded imports may require some adjustments in our country, we must make sure that changes in foreign economic policy consonant with our position as the world's

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*An address by Mr. Grace at the Mid-South World Trade Institute of University of Mississippi, University, Miss., Sept. 10, 1953.

Missouri Brevities

The Board of Directors of **Theodore Gary and Company** at a meeting held Sept. 15, 1953, terminated, as of midnight, Oct. 31, 1953, its offer of exchange to the holders of its first preferred and class A stocks, dated Dec. 20, 1948, to exchange their holdings of said stocks for 6% series B corporate income notes and participating common stock of the company.

Notice of such termination will be mailed to the first preferred and class A stockholders of the company within the next several days.

* * *

The SEC has ordered another 10-day suspension on trading in **Flour Mills of America** common stock.

The suspension is the fourth since the Commission first ordered trading in the securities on the Midwest Stock Exchange and the over-the-counter market to stop Aug. 11.

Trading ceased for the third time on Sept. 4 after disclosures of "unexplained journal entries" made in connection with the company's reporting of a 3-million-dollar loss for the fiscal year ended May 31.

An SEC official said the additional time will be used by the government to continue its investigation into the matter.

Proceeds for the construction expansion was obtained from the sale of $10 million of long-term debt, placed privately with an insurance company and three banks.

Working capital June 30 was $22,669,991, against $19,977,349 a year earlier. Inventories were only $537,353, against $1,063,345 a year before. The company had $17,731,365 invested in government securities. Cash amounted to $9,522,735, which more than covered all current liabilities.

* * *

Stockholders of **Kansas City Public Service Company** were presented with a pessimistic interim report by its President, Powell C. Groner, who said that further patronage declines and higher operating costs will require more service reductions.

Although various operation divisions are being consolidated, the constricting process of operations is continuing and will necessarily further continue as long as patronage dwindles, he said.

Negotiations for a new franchise are now in the preliminary stages. The management, Groner said, is committed not to accept a new franchise unless its terms will provide a reasonable prospect of operating an efficient and adequate transit system on a sound financial basis. Otherwise, the company's President added, "the community will have to undertake municipal ownership or find some other party prepared to stand the gaff."

Stockholders were told that operating results for the first half of 1953, with elimination of extraneous sources of revenues, and non-recurring interest recovered from the government, produced a net of about 1.5% on the indicated rate-base value of the property used in passenger service.

"Even short-term obligations of the government provide a more substantial return than earned by the company, without subjecting the investment to the hazards of a transit enterprise," Groner said.

* * *

Missouri Public Service Company's net income for the first seven months of 1953 was $751,643, equal after preferred dividends, to $1.31 a common share. This compared with net income of $732,922, or $1.30 a common share. Revenues were $5,346,218, against $4,894,764. Operating expenses amounted to $3,707,182, against $3,279,388.

* * *

A. B. Chance & Co. had sales for the six months ended June 30 of $3,727,000, compared with $2,235,000 a year earlier, according to the SEC.

* * *

Sales of **Union Wire Rope Corporation** in the first six months of 1953 were $6,280,000, compared with $5,479,000 a year earlier. For the three months ended June 30 sales were $3,304,000, compared with $2,874,000 in the corresponding period last year.

* * *

Directors of **Prugh Petroleum Company** have voted the regular quarterly common dividend of five cents a share payable Sept. 30 to holders of record Sept. 15.

W. B. Prugh, President, said that crude oil sales for the first six months of 1953 were $144,192 and net income after all charges including dry hole expense was $40,098. He said that plans are under way to engage in new financing for the purpose of retiring current bank loans which would release funds necessary for a program of reworking old producing wells and drilling several new wells on producing leases.

* * *

The first comparative drop in sales from a year earlier was reported by **Western Auto Supply Company** in August, when dollar volume slipped 8.5% from the like 1952 period. For the first eight months, however, there was a gain of 10.8% over the previous year.

Sales in August were $15,755,000, compared with $17,225,000 a year earlier, a decrease of $1,470,000. Retail sales of $7,288,000 were down $475,000; wholesale volume of $8,467,000 was down $995,000.

The chain operated 280 retail stores this year and 274 a year earlier. It served 2,799 associate (wholesale accounts) stores this year and 2,686 accounts a year earlier.

For the first eight months, sales were $119,182,000, compared with $107,569,000 a year earlier, a gain of $11,613,000.

* * *

Sales and net income of **Spencer Chemical Company** established new highs in the fiscal year ended June 30. Net sales were $30,837,455, compared with $28,771,733. Net income was $4,661,177, equal after preferred dividends, to $4.01 a share on the common stock, compared with $4,223,433, or $3.61 a share, a year earlier.

Kenneth A. Spencer, President said that substantially all of the expected production of the company's major products has been committed under contract for the entire fiscal year ending June 30, 1954. He added that the increased production and sales and the accelerated activity in engineering and research promise a busy year, one that should be satisfactory to stockholders, customers, suppliers and employees.

The annual report stated that about $11 million went into plant construction during the year, with additions at the Pittsburg, Kans., Henderson, Ky., and the Chicago works and a new plant at Vicksburg, Miss. The new plant should be completed this fall and although it will not immediately attain the full capacity of $6½ million of sales for a while, the operation should reflect itself in sales and profits in the spring of 1954, Mr. Spencer said.

The report disclosed that engineering and preliminary construction work is underway on a $14 million new polyethylene plant at Orange, Texas. The plant should be in operation in the spring of 1955.

The sales gain for the year was possible through increased production efficiency, a modest price adjustment and some decrease in inventories.

The most significant change in assets was in gross investment in property, plant and equipment, which amounted to $39,748,414 June 30, an increase of $10,696,660 for the year. The principal part of the gain was applicable to major projects which still are under construction. The estimated cost for completing the projects is about $19 million.

* * *

Standard Milling Company reported a net loss of $183,114 in the fiscal year ended May 31, compared with a deficit of $217,785 a year earlier.

The operating loss encountered in the first half of the fiscal year was practically overcome in the last half, during which period the Kansas City mill was closed.

Before depreciation, flood loss and mill closing expenses there was a profit of $137,680, compared with $357,931 a year earlier.

Paul Uhlmann, President, said that in the last six months operations have been consistently in the black and since the start of the fiscal year June 1 the net earnings have been good.

Sales for the year were $34,707,448, compared with $43,361,175 a year earlier. The reduction resulted largely from decreased production capacity.

No decision as to the ultimate disposition of the Kansas City property has been reached. The management said that the property is valuable and the realizable value of the total property plant and equipment is greater than the balance sheet figure of $3,351,288.

Current assets May 31 were $9,546,056; current liabilities $5,455,290.

Connecticut Brevities

Industrial Sound Control, Inc., with plants in Hartford and Rockville, has announced receipt of a $300,000 order for sound supression equipment to be used in the testing of jet engines by Glenn L Martin Corp. These mufflers were originally designed and engineered by Industrial Sound.

* * *

Segal Lock & Hardware Company has registered with the SEC a five-year 6% convertible debenture, due Oct. 1, 1958 in the amount of $975,000. The bonds will be offered to stockholders on the basis of $100 of debentures at par for each 250 shares of common owned. The issue will not be underwritten, but a group of directors and stockholders have subscribed for $115,000 of bonds, subject to prior rights of stockholders. Proceeds will be used to purchase a half interest in Arrow Lock Corporation, pay off a $200,000 loan of Norwalk Lock Company, pay other miscellaneous obligations, and for general corporate purposes.

* * *

Of the 201,563 shares of common of **Silex Company** offered to stockholders on a one-for-one basis at $3.50, a total of 135,458 shares were subscribed for. The offer was not underwritten. Proceeds will be used to redeem at par part of the $939,000 of convertible subordinated debentures sold privately in connection with the purchase of the entire stock of Chicago Electric Manufacturing Company in March of this year.

* * *

On September 14 Southern New England Telephone Company appeared before the Connecticut Public Utilities Commission in connection with an application for permission to sell 400,000 shares of common stock through rights on a one-for-ten basis. Proceeds will be used in connection with the company's expansion program, amounting to about $3,000,000 in 1953 and a like amount in 1954.

* * *

Directors of **U. S. Finishing Company** and of **Aspinook Corporation** have voted to study ways of working out the details of a stock exchange offer by the former to stockholders of the latter. When completed the details will be submitted to stockholders of both corporations. Aspinook, with plants in Adams, Massachusetts, and Jewett City, Connecticut, which employ some 1,400 is engaged in textile finishing, while U. S. Finishing, with plants at Sterling and Norwich as well as in Hartsville, South Carolina, employs about 1,400 in textile processing.

* * *

The new plant of **Kaman Aircraft Corporation**, located in Bloomfield, was recently opened. Constructed on an 85-acre site and containing 108,000 square feet of floor space, the new plant which now has 1,100 employees was completed at a total cost of about $3,500,000.

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The Southington Bank & Trust Company has increased its capital from $150,000 to $200,000 and has increased its surplus by $50,000 both through sale of new stock. The total capital funds are thereby increased to about $600,000.

* * *

Royal Typewriter Company, through a new subsidiary incorporated in Holland, has recently opened a new factory at Leiden, Holland. The plant will produce both portable and standard size typewriters for use in that country and for export.

* * *

On August 21 stockholders of **Torrington Manufacturing Company** approved an increase in the authorized capitalization from $750,000 to $825,000 of $6.25 par common stock. An offering of 12,000 shares was made to stockholders of record Aug. 4, 1953 at $20 a share on the basis of one new share for each ten shares owned. Rights expired September 4. Proceeds are to be used to construct a new plant addition and in connection with a loan to the Canadian subsidiary.

COMING EVENTS

In Investment Field

Sept. 16-19, 1953 (Sun Valley, Ida.)
National Security Traders Association 20th Annual Convention.

Sept. 17, 1953 (Des Moines, Iowa)
Iowa Investment Bankers Association Field Day at the Wakonda Club.

Sept. 17, 1953 (Rockford, Ill.)
Rockford Securities Dealers Annual Outing at the Forest Hills Country Club.

Sept. 20-23, 1953 (Washington, D. C.)
American Bankers Association 79th Annual Meeting at the Statler Hotel and Constitution Hall.

Sept. 22, 1953 (Detroit, Mich.)
Bond Club of Detroit Golf Party and Outing at the Country Club of Detroit.

Sept. 22, 1953 (New York City)
American Stock Exchange annual golf tournament at Sunningdale Country Club, Scarsdale, N.Y.

Sept. 22, 1953 (San Antonio, Tex.)
Investment Women of San Antonio annual dinner meeting in the Tapestry Room, St. Anthony Hotel.

Sept. 25, 1953 (New York City)
Charles Hayden Memorial Trophy Tournament at the Baltusrol Golf Club, Springfield, N. J.

Sept. 25, 1953 (Philadelphia, Pa.)
Bond Club of Philadelphia annual field day at the Huntingdon Valley Country Club.

Sept. 30, 1953 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia annual meeting and election of officers in the Crystal Room of the John Bartram Hotel.

Psychological Factors Affecting Private International Investment

By GEORGE WOODS*

Chairman, The First Boston Corporation

Prominent investment banker, noting that all categories of investors both at home and abroad, are primarily interested in safety and profit possibilities, maintains realism dictates recognition of the great opportunities available to private investors in the United States. Cites current high yields available at home on portfolio securities as well as on corporate capital. Stresses indispensability of mutual goodwill.

The subject assigned to me for brief comment could very easily be made the basis of a large book. I shall try to approach it by separating private investors in the United States into three arbitrary classifications: (1) Individuals, with capital for investment; (2) Professional investors and fiduciaries, having responsibility for insurance, trust, pension and various other types of investment funds; and (3) Corporations, where management are responsible to stockholders.

George D. Woods

Individuals provided most of the capital which was exported from the United States in the 1921-1930 period. The professional and fiduciary group, which has become increasingly influential in the domestic investment field since 1940, has thus far confined its foreign commitments almost entirely to a few Canadian equities; while the third group, corporations, has been primarily responsible for investments made abroad since 1946.

Interest in Safety and Profit

All categories of private investors, whether investing at home or abroad, are primarily interested in the safety of their capital and in the possibilities for profit—either in the form of interest, dividends or capital appreciation. This means that risk relating to expropriation, socialization, and transfer of funds must be minimized. It also means satisfactory assurances must be forthcoming respecting unreasonable profit limitations through such devices as wage or price fixing and respecting taxes. Any realistic approach to the question we are discussing must recognize the opportunities available to private investors in the United States, which eliminate certain risks inherent in any investment made abroad, and must also recognize the necessity for offsetting compensation. The individual willing to assume risk in the United States can obtain an average yield of over 8% on a representative list of steel company stocks, and 7½% on mining stocks. On portfolio type securities for those in the professional and fiduciary category, average yields of 5½% are obtainable on public utility equities and over 5% on most conservative industrial stocks. So far as the return on corporate capital is concerned, most corporate managements do not make capital investments unless there is a reasonable expectation of a 15% to 30% return before taxes on sales. The latter figure is particularly true in areas where intensive competition and new product development can obsolete plant quickly. For example, in the domestic chemical field, where new developments are constantly taking place, management usually plans to get its capital investment back within three years.

*Contribution by Mr. Woods to a panel discussion, "Private International Investment in Underdeveloped Countries," arranged by the Board of Governors of the International Bank for Reconstruction and Development, Washington, Sept. 11, 1953.

Capital Flowing in Reverse

The attention of wealthy nationals of various countries which require capital — particularly equity capital — continues to be attracted to United States investments and to similar opportunities in the United Kingdom and Switzerland. This export of investment capital by the nationals of capital deficient countries is a difficult fact to explain away to well informed investors in the United States who are weighing the advantages of investing abroad as opposed to making investments at home.

It is probably true that tax incentive—granted by the capital exporting country — would have the effect of quickly focusing attention by private investors on the possibilities abroad. Guarantees by government against losses through expropriation or currency conversion represent another method of attracting the attention of investors. However, it is doubtful that any appreciable immediate increase in the outflow of capital from private sources in the United States would occur even if these and other steps which have been suggested — or some combination of them—were adopted. The private investor must be actively and incessantly courted if he is to be convinced. And I am of the opinion that the courtship may have to extend over a long period, possibly years, before the individuals and the professionals and fiduciaries are persuaded. This is not intended to be discouraging. Rather it is intended to suggest that we "get at" the job. Groups and committees designated by the President and by Congress are studying problems relating to foreign trade and recommendations respecting changes in the tax laws of the United States. In addition, the Securities and Exchange Commission should give consideration to a set of rules and regulations particularly designed for listing securities of foreign corporations on National Stock Exchanges and for registering new securities of foreign entities in anticipation of public offerings of securities.

Further Study of International Finance Corporation

I believe that a vehicle to assist in providing equity capital, particularly in underdeveloped countries, of the type which has been referred to as International Finance Corporation should have further careful study. The advantages of diversified investments and continuing supervision of the managements of the companies in various countries by a directorate representing the capital exporting countries backed up by a well informed staff, hold interesting possibilities. Such a vehicle properly sponsored and protected by appropriate legislation and policy pronouncements by the capital exporting countries might perceptibly accelerate a broad acceptance of foreign investments by individual and professional investors and fiduciaries.

The courtship of capital represented by corporations, which make direct investments in plant and property abroad as distinguished from investments in what might be termed portfolio securities, should and probably will proceed at a somewhat faster rate. Indeed, as has been stated this morning, without tax incentives or guarantees against certain risks this category of private investor has been functioning since 1946. He will want a strong voice in the management of the business his capital is employed in—perhaps a controlling voice—for a period extending at least until the nationals of the given country have accumulated experience and earned the confidence of those advancing the capital. In addition these corporate investors must be made to feel that they and their capital are welcome.

In summary, this whole problem of stimulating private capital investment in underdeveloped countries rests on a return to first principles of human relationships. There is no way I know of to force, through legislation or otherwise, private investors to put their capital anywhere. They can be invited and educated but they will finally decide on the basis of the relative safety at home and abroad as weighed against the profit potential, after taxes, at home and abroad. And this assumes that on both political and business levels there will be continuing manifestations of genuine goodwill between capital exporting and importing countries and their nationals.

NSTA Notes

ALONG THE CONVENTION ROUTE

On Sunday morning Sept. 13 the special convention trains arrived in Chicago, where at the Union Station, traders from North, South, East and West gathered to renew old acquaintances at breakfast. Special buses were then provided to take the traders and their wives to church services, and for a sightseeing trip. Returning to the station, a cocktail party was given by the Bond Traders Club of Chicago.

In Denver on Sept. 14 a special day for visiting traders was held under the auspices of the Bond Club of Denver and the Rocky Mountain Group of the Investment Bankers Association. After a sightseeing tour and luncheon a cocktail party was held at the Wolhurst Club.

Recession Fear Dominant Stock Market Force

Prentice-Hall's weekly newsletter says psychological factor is stronger than earnings ratios or dividend yields.

According to a study published in Prentice Hall's weekly newsletter "Information," the 1949-53 bull market has been the most restrained in U. S. history. Never before, it is stated, has a bull market leveled out at such low price earning ratios, such high dividend yields and such a big stock yield advantage over bonds. Much of this is attributed to the lack of overspeculation on the part of investors with the result being a deflated market. Along with this, fear of a business recession is today's most potent stock market force and is stronger than price earning ratios, current and prospective dividend yields and the spread between stock and bond yields. Regardless of basic indicators, Prentice-Hall's experts feel that stocks will decline before or at the same time as general business activity.

The first two columns of the following table show what was paid for each dollar of earnings and each dollar of dividend in the last five market highs. The last three columns show stock dividend yields, high grade bond yields, and the spread between them at these historic highs.

Current Bull Market Most Cautious in U. S. History

	—Stock Prices Per Dollar—				
Highs	of Earns	of Divs.	Stock Div. Yield	High Gr. Bond Yield	Advantage For Stocks
September, '29	$19	$30	3.3%	5.0%	—1.7%
March, '37	19	27	3.7	3.3	0.4
November, '38	26	29	3.5	3.1	0.4
May, '46	16	31	3.2	2.5	0.7
January, '53	11	19	5.4	3.3	2.1
September, '53	9	16	6.1	3.3	2.8
June, '49	7	15	6.8	2.7	4.1

These figures, the survey holds, demonstrate that stock prices today are not high by most basic yardsticks. As shown by the last two lines of the above table, current prices are closer to the bargain levels of bull market highs prior to 1953.

Banks Not Profiting Unduly From Administration's Fiscal Policy

By STANLEY A. NEILSON*
President, New York State Bankers Association
President, Bank of Gowanda, Gowanda, N. Y.

President of New York State Bankers Association answers charges that banks are profiting unduly by the Administration's fiscal policy and the current higher interest rates are "a political payoff by the new Administration." Points out interest rates started up more than eight years ago, and denies commercial bankers are enjoying unusually high earnings.

As investment men, we are charged with the great responsibility of determining what bonds to buy, when to buy them, in what volume, and at what price, but as bankers we are also the targets of charges that we are profiting unduly by the Administration's fiscal policy.

Stanley A. Neilson

While criticism is frequently a constructive and corrective force, in this case the fault-finding is based on misinterpretation or misinformation regarding banking, the money market, creation and availability of credit, and so on. The charge most leveled at banks is the contention that higher interest rates constitute a political payoff by the new Administration in Washington.

Despite the widespread but misinformed impression to the contrary, the rising rate trend is not a phenomenon of the Eisenhower Administration, as most of you well know.

*Remarks of Mr. Neilson before the Investment Seminar sponsored by the New York State Bankers Association in cooperation with New York University, New York City, Sept. 11, 1953.

An Eight-Year Uptrend

Interest rates started up more than eight years ago. The short-term rate started climbing around 1941. Both rates have climbed steadily since.

The climb was given added impetus back in 1951 when the Federal Reserve and the Treasury reached their now famous "accord," which permitted a monetary policy designed to maintain a sounder dollar. That was almost two years before the Republicans took office.

It was an unfortunate coincidence that shortly after the Eisenhower Administration began the Treasury found itself pinched for funds coupled with a tremendous and unprecedented demand for funds by business and consumers. Thus, the stage was set — two major groups chasing after too few dollars. Just as with other goods and services, when the demand is greater than the supply, the prices rise. So, the same is true with interest rates.

Which brings us to the charges that commercial bankers are enjoying unusually high earnings on the strength of rate increases on loans. The critics obviously set bank credit aside from any other goods or services available to the public. Yet higher prices on loans will reduce the number of customers for credit just a readily as they reduced the number of buyers of beefsteak, butter and coffee, when the cost of those items went up. Tighter money has restricted the growth of banks' loans and investments. The banks are getting more for the money they lend, but they don't have as many borrowers as heretofore.

Portfolio Losses

Too, little is heard outside of banking circles about the losses and depreciation in the bond portfolios of commercial banks, perhaps because the critics do not appreciate that higher interest rates also depress the market for bonds already outstanding. That is why government bonds today are selling in the low 90's. This also is the result of efforts to keep the money supply from expanding too rapidly.

In the long run, higher interest rates mean sounder dollars and sounder dollars are what this country is striving for. Higher interest rates are to the benefit of more than 45 million families and 122 million individuals who have placed their life savings in deposits with us, as well as in savings accounts, savings bonds, annuities and pensions, stocks, bonds, mortgages and life insurance. Now, unfortunately, banking is the butt of a political smear. All kinds of erroneous charges are being laid at the doorsteps of the bankers. This concerns me very much. Once before, banking became the butt of politics with disastrous results. I would hate to see it happen again.

In radio broadcast after radio broadcast, in newspaper after newspaper, is heard and seen the false accusations, the smear with diabolical cleverness. Gentlemen, we owe it to ourselves, we owe it to our employees, stockholders and customers, to undertake a broad educational program. We must take the mystery out of banking, explain the banking process, the money market, interest rates, service charges, credit policies, and all the functions and purposes of our institutions, in a way that the public will readily understand.

Must Educate Public

The spreading of banking and economic truth can only be done on the local level by individual bankers proclaiming the word to all and sundry. The Association will help. We have already initiated a program of Information Bulletins designed to give members the basic facts and fundamentals, the elements of financial truth. Thus armed, we can sally forth to meet the challenge.

I feel very strongly on this. Banking is under attack now as never before. There is a need, a real need for banking's leadership to come forward and meet the problem head on. The educational program necessary must be non-partisan. The smear is against all segments of the banking industry. Thus, we must combat it together.

In this non-partisan program we would welcome the participation of other segments of our industry. It behooves us to create a group that can work together to create a more harmonious and informed relationship with our public and with each other.

LETTER TO THE EDITOR:

More on "Double Taxation" Of Corporate Earnings

Paul E. Conrads, in replying to Richard Spitz, points out when corporation earnings are taxed directly, burden on low income stockholder is relatively heavier than stockholder in high income bracket.

Editor, The Commercial and Financial Chronicle:

There are certain points in the Aug. 27 article by Richard Spitz, Fortune's Rocks, Biddeford, Me., on which I am in partial agreement. I agree that one threat to American free enterprise is that subsidies and exemptions do weaken personal responsibility and initiative. He didn't say exactly that but I give him credit for meaning that. I also agree that a keystone of the free enterprise system is personal responsibility. He didn't say it exactly like that but it seemed to me that is what he meant.

However, I have not been able to get his reasoning for bringing "free enterprise" into this discussion as to whether or not taxation of stockholders' interest (net earnings) in a corporation at the source and then taxation in the hands of each stockholder on the remainder portion paid out as dividends is double taxation and should be continued or discontinued.

I am in the investment business and have one basic reason for being against the present corporation taxing procedure—any other reason to my mind is not of moment. To illustrate:

I have a widow client who owns 100 shares of X corporation stock. It had become necessary within the past several years to sell some government and other high grade bonds and invest the proceeds in top grade common stocks in order to bring up her income to meet the increased costs of even a moderate living. This client is now in a 17% tax bracket. I also have another client, a prosperous businessman, who owns 100 shares of X corporation stock. This client is reported to be worth several millions of dollars. This client is actively employed and I have found that his tax bracket is 65%.

Right here I would like to cover a few fundamentals on any stockholder's position in a corporation in order to correct Mr. Spitz's obvious misunderstanding of a stockholder's rights in a corporation. The common stockholder is the owner of the business. He elects the Board of Directors. The Board of Director's in turn appoints the management of this corporation and this group, together, runs the business for the stockholders. A good businessman knows that this management team should never pay out all monies available to stockholders but should leave a cushion between earnings and dividend pay-out to protect the stockholders' interests which means the protection of this corporate body against the contingencies which creep up from time to time, to replace worn-out equipment, and enable it to tide-over any period of poor business.

Coming back to our subject again, I find that under the present system of taxation net earnings are taxed in one lump sum in the hands of this X corporation.

So the widow with a 17% tax bracket is now taxed the same as the millionaire who has a 65% tax bracket for the same ownership. I don't like the continued inequality of the present method of corporation taxation, as it affects these two people or any others in similar circumstances. My millionaire client doesn't complain—it's in his favor.

When dividends are paid out and in the hands of the stockholders then and then only do we reach some semblance of equality of tax treatment. Here our government recognizes the basic principle of fairness that those who have most should stand the greatest share of the tax burden.

Corporation tax laws should be changed, so that a corporation would be forced under penalty to pay out an exact amount required under the tax law in force as additional dividends to stockholders. Then my widow client would be income-retained-wise in a much better position and my millionaire client would pay out even a greater percentage than he does now and take over part of the widow's load which was his in the first place. Certainly Mr. Spitz would agree that this is a fairer distribution of responsibility that now is in force under present corporation taxing procedure.

PAUL E. CONRADS,
Proprietor,
Conrads & Company,
321 W. State St.,
Rockford, Ill.

Sept. 5, 1953.

Luken Agency Adds Two

(Special to THE FINANCIAL CHRONICLE)

ALTON, Ill.—Herbert L. Grosby and Harold M. Spiro have become affiliated with the Luken Agency, Inc., 305 State Street. Mr. Grosby was previously with Vic Wikle & Associates and prior thereto with Bache & Co. in Chicago.

Rejoins Goodbody Co.

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla. — Edward R. Dunn has rejoined the staff of Goodbody & Co., 218 Beach Drive, North. He has recently been with Florida Securities Company.

Bache Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

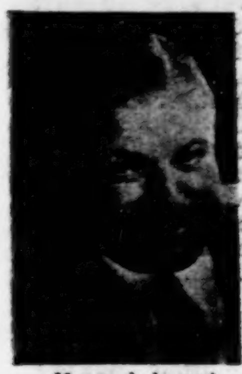
CHICAGO, Ill. — Seymour Goodman has become connected with Bache & Co., 135 South La Salle Street. He was previously with Rothschild & Company.

"Live Longer and Like It!"

By HARRY J. LOYND*
President, Parke, Davis & Co., Detroit, Mich.

Executive of prominent pharmaceutical firm reviews recent progress in combating disease by use of antibiotics and vaccines. Predicts use of vaccine against poliomyelitis and other serious diseases, such as cancer and heart diseases. Praises work of research scientists working in laboratories of pharmaceutical houses.

If this meeting were being held in 1853 instead of 1953, over half of this audience would not be here. While missing this talk would perhaps be of no great moment, your absence from service clubs such as this would be indeed serious. You are leaders in your community, in your state, and in the nation, and the lack of your contributions to the life of our country would be greatly missed. Now why do I say that over half of you would be absent if this meeting were being held 100 years ago? If we were sitting in this room with the world moved back about a century, we would be, as we are today, a group with an average age of about fifty years. We would, therefore, have been born in the early years of the 1800's. But 18 of each one hundred of those missing would have died in early infancy from whooping cough, "colic," typhoid fever, or one of a host of other infectious diseases common to infants in those days. About 11 men would have died before adolescence from diptheria, scarlet fever, smallpox, nutritional diseases, or as a result of infections then classified as "blood poisoning." If we managed to survive to manhood, seven men would have died before the age of 30 from diabetes, appendicitis, tetanus, or some other of a host of, then uncontrolled diseases. And finally, about 14 men would have died before the age of 50 from pneumonia, tuberculosis, "blood poisoning," typhoid fever, or some other infectious disease.



Harry J. Loynd

I have cited these gloomy statistics not to depress you, but to impress you with the happy fact that medicine and the allied health professions, including pharmacy, have in a short 100 years worked a near miracle of making it possible for people to live longer and like it.

As children, many of us lived through the transition period when preventive immunization for childhood diseases was just beginning to alter the morbid statistics of infant and child mortality. Our children, property immunized, will probably never have such diseases as whooping cough, diphtheria, smallpox, scarlet fever, or many others now controlled by preventive vaccines.

Many of us have had pneumonia, but we recovered, and if this formerly dread disease visited us in recent years, we recovered so fast as to justify a recent advertisement of a drug manufacturer headed, "Thank goodness it's only pneumonia."

A few of us probably have diabetes right now, but we live practically normal and useful lives because of insulin and its ability to control this formerly rapidly fatal disease.

Pernicious anemia, a disease in which the red blood cell forming organs of the body no longer perform their function, was, until very recent years, a crippling, and usually rapidly fatal disease. Today, thousands of people with pernicious anemia are living useful lives because of the research which resulted in the discovery of concentrated liver and stomach tissue extracts, and more recently, folic acid and Vitamin B-12.

Many of us have recovered quickly from appendicitis or other surgery because post-operative infection can now be prevented or controlled. A hundred years ago, surgery was undertaken with the odds against the patient because infection could not be prevented or controlled. In fact, hospitals, now citadels of healing, once had such a high mortality rate that they were called, "the gateway to heaven."

Many of us walk on straight legs, and use normal arms, hands and eyes, because science found out how to use X-rays to insure good bone repairs, and vitamins for proper dietary supplements to prevent scurvy, rickets, and other nutritional diseases.

Proud Accomplishments of Medicine

All of these, and many more of the proud accomplishments of medicine, are the reasons why we today live longer and like it, because through the past 100 years, brilliant men — dedicated men — have worked, and sometimes died that it might be so. This is the story I want to explore with you today — the story of those great men of yesterday — the story of the great scientists of today—and the promise they offer us for an even happier tomorrow.

In past centuries, the physician was limited in his choice of medication to an assortment of roots, barks, leaves, herbs, etc., and in fact some of these so-called galenicals are still used effectively, but most of these plant drugs have been replaced in recent years by far more effective and specific chemo-therapeutic and antibiotic agents. There still remain, however, about 140 vegetable drugs which have stood the test of time and medical practice. When Parke, Davis & Company started in business, 87 years ago, these vegetable drugs were the foundation of our business.

In those long ago days we sent exploring expeditions to far away corners of the world to find new roots, leaves, herbs and bark from which to make medicines. Today we have, in a way, come full circle since we are once more searching the world—not for plants—but for the earth they grow in. We are searching not for vegetables as we commonly think of them, but for those tiny microscopic vegetables in the soil which scientists call actinomycetes, from which we obtain the antibiotics.

But the nineteenth century saw the beginning of true research in the field of medicine, and the development of some of the real foundations upon which our present-day medical science has been built. There were giants of medicine in those days. Many of their names and accomplishments are no doubt familiar to you. To name a few, I would recall such great men as Jenner, who discovered smallpox vaccine; Harvey, who the modern science of biological therapy; Ehrlich, who was the discovered the circulation of the blood; Morton, who discovered the use of ether as an anesthetic, which made major operations possible; Lister, who discovered the first antiseptic in the form of crude carbolic acid; Louis Pasteur, who discovered that specific organisms were the cause of specific diseases, and that the latter were not the result of evil spirits, as had formerly been believed; von Behring, who discovered diphtheria antitoxin, thus founding the modern science of biological therapy; Ehrlich, who was the father of present day chemotherapeutic agents such as the sulfa drugs, Promin, Atabrine, Camoquin, and thousands of others; Roentgen, who discovered X-rays; the Curies, who discovered radium. There are many others, but each added a major contribution toward the transition from "witch-doctor medicine" to the science of medical care as we know it today.

Discovery of Many Basic Disease Treatments

We proudly claim that the twentieth century has seen the discovery of many basic disease treatments. Among these would certainly be the antibiotics which are of such great prominence in therapy today. But, perhaps, the antibiotics could serve as excellent proof of the old saying that "there is nothing new under the sun." This can be said without detracting from the brilliance of the discoveries of such men as Fleming, Dubois, Waxmann and others of today's giants, because nearly a century ago such men as Koch, in Germany, and Pasteur, in France, made the observations and did the experiments which were the foundation upon which modern antibiotic therapy was established. They found, and proved, that in many instances the same microbes that caused diseases could, when properly detoxified, protect against those diseases. As a result of their experiments we now have typhoid vaccine, smallpox vaccination, tetanus and diphtheria antitoxin, and a long list of other preventive, or curative, biologicals. They proved also that the earth contained a host of bacteria which were capable of destroying the disease producing potentialities of other bacteria. This was the foundation which later was to be developed into the research for, and the discovery of antibiotics by Fleming, Burkholder, Duggan, Waxmann and others.

During our time in the twentieth century, much has been added to medical knowledge by the greatly expanded research facilities of medicine, pharmacy, and the allied sciences. The race of medical giants has not disappeared. Such men as Banting and Best, who discovered insulin; Whipple, Minot and Murphy, who contributed so greatly to the therapy of the anemias; Kendall, who gave us cartisone, and a new clue to the treatment of diseases of old age; Fleming, who discovered penicillin, and opened a new door to the treatment of infectious diseases; Burkholder, who discovered Chloromycetin; Duggan, who discovered Aureomycin, and many others who can truly be said to be of the race of medical giants in our time. Their contributions have all resulted in the alleviation of suffering, the cure of formerly incurable diseases, and the saving of literally millions of lives.

Antibiotics

The most recent and exciting development has been in the line of antibiotics. An antibiotic is a substance produced by one organism that is specifically antagonistic to another organism.

For years it was believed that the earth was the home of all diseases because millions of humans, insects and animals have been buried in the earth. About 25 years ago, bacteriologists took samples of earth into their laboratories for examination and they could not find disease germs. In other words, the Great Almighty had placed thousands of different kinds of good bacteria in the earth to overcome disease germs. As a result of the research on the good organisms in the earth, we have discovered such potent medicines as penicillin, streptomycin and Chloromycetin. For the first time we now have medicines to treat many of the diseases that formerly were sure to cause death.

Chloromycetin is called a wide-spectrum antibiotic because it has been effective in the treatment of many different dieseases.

Much More to Be Done

While we can be said to be living in an age of medical miracles, there is much yet to be done. Many of today's unsolved medical problems will require new giants in the future. We have conquered, or controlled, most of the infectious diseases which formerly decimated our population, but now we die instead from cancer, heart disease, or kidney and liver diseases. We suffer from arthritis, nervous diseases, high blood pressure, rheumatic fever and a host of other, as yet unsolved, medical entities.

Too many of the world's people still suffer and die from malaria, leprosy, influenza, plague, tuberculosis, chlorea, typhus—all controllable, or soon, we hope, to be.

Too many children are permanently crippled from rheumatic fever or poliomyelitis — dieseases we confidently believe will soon be controlled or prevented. At the present time, in fact, active research is progressing rapidly toward the probable prevention of poliomyelitis.

The story of progress in poliomyelitis prevention is one of cooperation—cooperation of millions of people like you here, who recognized a problem and contributed, maybe small amounts individually, but large sums in total, towards the conquest of a disease. The story involves a President of the United States, a few crippled children, and millions, even billions, of dimes. This gave scientists in this country, and even in other countries, the opportunity and funds to work toward a cure. Now this investment is paying off. It has been demonstrated that gamma globulin can be used effec-

Continued on page 18

*An address by Mr. Loynd before the Bonneville Kiwanis Club, Salt Lake City, Utah.

A New Investment Timing Plan

By HOMER FAHRNER
Registered Investment Adviser, Corning, Calif.

Mr. Fahrner describes the various major technical systems devised for avoiding repetition of the drastic forecasting results of the 1920s. After detailing their alleged errors, he advocates instead his own new so-called Corning Plan which, he maintains, combines best features of other methods. Summarizes it as an adaptation of dollar averaging of growth stocks but excluding purchases at high prices. Holds his technique offers investor peace of mind.

It took the 1929-1932 bear market to shake this generation's confidence in common stocks as long-term investments, and likewise in the forecasting ability of the advisory services. Forecasters were as bullish in 1929 as in 1921, and as a whole they achieved about the same results as one might have, had he stuck a pin in the financial sheet. Even the chief exponent of the Dow Theory for the first quarter of the 20th Century was wrong about the same number of times that he was right.

Homer Fahrner

Dollar Averaging Appears

After the great debacle, analysts began to probe for some mathematical or mechanical means to avoid repetition of the mistakes made by being bullish at the top and bearish at the bottom. Along about 1935, dollar averaging made its appearance. It was discovered that if one had bought an equal dollar amount of stock each year for the preceding ten years, that averaging the years of high prices with those of low prices, one would have achieved an average *cost* per share which was surprisingly low. The average buying *price*, of course, would have been high, but since one invested only the same number of dollars each year, those dollars would have purchased only a relatively few shares when prices were high and a much larger number of shares when prices were low. As measured by the Dow-Jones Industrials, one would have bought nine times as many shares with the same number of dollars at the 1932 lows as he would at the 1929 highs, making the average cost per share held in 1932 within 15% of the all-time lows.

One or two investment funds immediately started recommending uniform dollar purchases of their shares and today perhaps half of the major national investment companies have some method for the accumulation of their shares on the periodic payment plan. In this way, the investor achieves low-average cost of his shares, even though the investment company itself fails to buy low and sell high.

While dollar averaging seems to solve the problem for the small investor who is able to put away part of his salary check regularly, it does not assist the investor who has already accumulated his nest egg and has a lump sum to manage.

50-50 Plan Offered

The next step in the progress toward mechanical investing was the 50-50 plan, also brought forward in the middle 1930s. Under this method, each year, or oftener, the investor adjusts his portfolio so that the market value of his holdings of stocks and bonds are equal. Hence, the name 50-50. This is a big advance over "buy and hold," as was advocated in the 1920s.

Sliding Scale Better

Now if 50-50 is good, then a varying percentage as the market moves should be better. And in the latter half of the 1930s, several large institutional investors, notably university endowment funds, took the lead and developed formula plans for automatically investing only a small percentage in common stocks when prices are high and a high percentage when prices are low. A typical scheme is to take a long-term chart of the Dow-Jones Industrials. Draw parallel lines through the bull market tops and bear market bottoms. Then draw in three more parallel lines between the first two, dividing the entire range into four equal zones. In the upper zone, one would invest only 20% in common stocks; in the upper middle zone, one would increase holdings to 40%. If Dow-Jones dropped to the lower-middle zone, one would increase holdings to 60%; and if they dropped still farther and down into the lowest zone, one would buy still more until his stock holdings increased to 80% of his total portfolio. This was indeed a major improvement, and solved two of the three problems facing the investor. It told him *when* to buy or sell; it told him *how much* to buy or sell: but it failed to tell him *what* to buy or sell. In most instances, it was assumed that the investor bought the Dow-Jones Average—a most improbable assumption. Or, it was taken for granted that the investor could select stocks which would do better than Dow-Jones—another assumption which time has not honored.

Growth Stocks Arise

In attempting to solve the problem of what to buy and sell, another group of security analysts, working independently, had observed that certain stocks tended to reach higher price levels in each succeeding bull market; and although they reacted with the market as a whole in a bear market, their individual reactions did not quite reach down to the prices experienced at the previous bear market bottom. In other words, the stocks made higher tops and higher bottoms with the passing of time. Further analysis indicated that most of these stock were of companies which were growing rapidly, and these stocks became to be known as growth stocks. Indeed, for a period of years, ending about two years ago, growth stocks were advocated by many as the panacea for the long-term investor. Investors were urged to buy growth stocks whenever they had money to invest. What mattered it if they declined, they always came back to still higher levels! But these past two years has dampened the ardor of many a growth-stock holder. Although Dow-Jones has advanced, many a growth stock has seen its price cut in half. Witness the rayon, the building, and the pharmaceutical share prices to mention three important industries.

What to Buy?

Still on the problem of what to buy, another group of students tackled it from the individual stock point of view. They came forward with more or less complicated plans for investing varying amounts in individual stocks as their individual prices advanced or declined. In many instances this meant buying and selling such small lots as one or two or three shares of a stock to get the benefit of the formula and still spread one's investment over a diversified list of stocks. Not too much progress has been made in this direction thus far, but the field has not been fully explored.

Really Three Problems

We have seen there are three major parts to the formula plan: when to buy or sell, what to buy or sell, and how much to buy or sell. The Corning Plan, developed here in Corning, California, seeks to solve these three major problems by taking the best parts of previously published formula plans and reassembling them to better serve the investors' purposes. There is nothing original about the Corning Plan unless it be that it is one of the first, if not *the* first, which does aim to take into account all three parts of the problem.

Corning Plan Develops

Instead of starting with the Dow-Jones Industrials, the Corning Plan buys and sells individual growth stocks. The first purchase is made—not at any old time, nor of any old stock, as so many individual stocks plans seem to advocate—but when the price of an individual growth stock is quite low in relation to its price range for preceding years. The second purchase of the same stock, if it is to be made at all, is delayed until the next break in the market as a whole. In this way, if the first purchase is never made until a bear market in the individual growth stock is well under way, the second purchase will not be made until the bear market in that particular stock has probably run its course. Also by waiting until the individual stock is well along in its bear market course, it is not necessary to buy piddling amounts of odd lots, but a really worthwhile investment may safely be made at the very outset.

Combines Best Features

It will be seen that the Corning Plan is in one sense an adaptation of dollar averaging with the purchases at high prices trimmed off, if not entirely eliminated. Only one or two purchases of any stock are contemplated near the bottom of the bear market, for the first purchase is made only at bargain levels. Sales, however, of all holdings of one stock are made as a unit whenever prices materially advance above the upper middle zone. A more or less conventional formula is used to determine the percentage of the total portfolio to have in common stocks at any one time.

Trend-Timing Eliminated

Trend-timing, or other delaying action until the trend changes, need have no place in the Corning Plan. While it is true that a favorable trend, once established, continues to maintain itself for an indefinite period, to rely upon keeping one's investments only in stocks with favorable trends would necessitate taking too many small losses, and would lead to excessive trading. After all, the purpose of formula plans is to eliminate losing transactions. Now the odds are almost two to one of a favorable (or unfavorable) trend continuing. But this is true only if you get in near the beginning of a new trend. For example, if Dow-Jones declines 5%, the odds are good that there will be at least another 10% decline before the Average reacts by 5%. But, if Dow-Jones has already declined 70%, the odds now favor less than a 5% further decline before a 5% upswing takes place. So by buying only well-depressed growth stocks, the Corning Plan can eliminate any reliance upon trends. And by doing so, it enables the investor to buy nearer to the bottom than would be the case if he had to wait for a change in the trend. The very essence of the Corning Plan is to buy low and sell high; and by avoiding trend-timing, it eliminates most of the losing transactions.

In summary, the Corning Plan does not buy at all unless a leading growth stock is available at very favorable prices. If the stock declines still more, and stays down for a considerable time, making it still more attractive for long-term holding, the Corning Plan contemplates further purchases. The percentage to have in common stocks at any phase of the cycle is governed by the current quotation of the Dow-Jones Industrial Average in relation to previous ranges. Selling is undertaken when individual stocks reach their respective high-price zones.

Value of a Plan

What is accomplished by a formula plan such as the Corning Plan? Stocks are purchased at attractive prices. In a severe bear market, the percentage invested in common stocks automatically increases. As prices rise above normal zone, the stocks are eliminated from the portfolio one by one, again according to the percentage called for.

No formula plan will ever take the place of perfect forecasting. However, it has been demonstrated that few if any have such forecasting ability. Indeed, the formula plan idea is premised upon the futility of even attempting to forecast. In spite of this, the formula plan assures the investor a satisfactory profit by buying stocks when prices are low and selling them when they are high.

Worries Removed

Above all, the investor gains peace of mind, need worry no more, for he cares little whether Dow-Jones goes up or down. Since he always has some (but not all) of his portfolio in common stocks, if prices advance, he shares in the profit; if they decline, he has the cash and the fortitude to take advantage of the bargains as they present themselves.

What results may be expected from the formula plan of investing? Experience of investment companies shows that only the best did as well as could have been accomplished under a good formula plan. Indeed, it is suspected that these few owe their investment success largely to following a formula plan.

Quincy Cass Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Howard F. Robertson has been added to the staff of Quincy Cass Associates, 523 West Sixth Street, members of the Los Angeles Stock Exchange.

With Baker, Simonds

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Thomas M. Breen has become affiliated with Baker, Simonds & Co., Buhl Building, members of the Detroit Stock Exchange.

Investment Company Portfolio Management

By JOSEPH H. HUMPHREY, JR.*
Assistant Vice-President, Calvin Bullock, New York City

Mr. Humphrey, after reviewing background and purposes of the investment company, describes systems of portfolio management. Reveals basis and use of the "formula plan," but warns "there is no mechanical substitute for judgment in the investment field." Stresses importance of work of the research departments both in furnishing data for selection of securities and in studies of technical factors affecting the market as well as the trends of the business cycle.

The institutional investor has become an increasingly important force in our American economy. As the accumulation of savings has become more widely diffused throughout the various income segments of our population, the stream of personal savings has more and more tended to flow through institutional channels. The growing amount of savings arising from pension funds is one example. In the case of direct savings by individuals, the average person knows little or nothing of investments beyond government bonds. Even the exceptional individual who is competent to make investment decisions usually finds that he cannot spare the time from his regular business to follow the developments in our complex economy and to make the analysis required to arrive at an intelligent investment decision. So there has been a growing tendency to pass this job on to the professional investment manager.

J. H. Humphrey, Jr.

There are various types of institutional investors such as commercial banks, savings banks, insurance companies, pension funds, and investment companies. They have different characteristics and investment objectives, and each has problems peculiar to itself in relation to management of portfolios.

I shall confine myself to a discussion of one phase of this field, the portfolio management of investment companies, as it is the one with which I am most familiar. The firm with which I am associated manages six investment companies with aggregate assets of nearly a quarter of a billion dollars. These funds, each of which has its particular investment objective, include a fund specifically designed for the participation of American investment in Canada. and a balanced fund which as a matter of policy holds a substantial portion of its assets in bonds and preferred stocks. As you see, a description of the nature of our operations in relation to portfolio management covers a broad area of investment interest, and is applicable in general to the investment company field.

Background of the Investment Company

A few words regarding the background of the investment company might be helpful. The investment company had its origin in England in the latter part of the 19th Century. It provided the means whereby small savings could be pooled into large aggregates of capital which could then be invested in a large number of securities. By this spreading of risks, the individual enjoyed a degree of protection against catastrophic investment loss which he would be unable to attain by direct investment of his own funds. This principal of diversification was and still is the basic reason for being of the investment company.

However, the investment company has developed beyond the stage of merely affording the diversification of a number of securities to the investor. There has grown up the concept of the professional manager who, assisted by a trained staff, endeavors not only to invest safely the funds entrusted to his care but also to select and time his purchases so as to obtain a superior investment performance. It is sometimes a little startling to realize that the field of security analysis, which the professional manager and his staff embody, is largely a development of the last 20 years.

The recognition of the importance of the investment company led to the enactment of special legislation, the Investment Company Act of 1940, which placed the operations of the industry under the supervision of the Federal Government through the agency of the Securities and Exchange Commission. It is interesting to note that since that date, the total assets of investment companies have grown five-fold to a level of nearly $5 billion, a not inconsequential aggregate of investment funds.

Performing Management Functions

Now, as to the manner in which we are organized in our firm to perform our management functions.

At the top rung in our organization are the directors of our various funds. According to the requirements of the Investment Company Act, the majority of the board must consist of directors who have no connection with the fund or its managers. These so-called outside directors are men distinguished in their respective fields. Frankly, they are chosen for the aid and perspective they can contribute toward the management of our portfolios. They are working directors. Not only do our directors represent the realms of commerce, finance and law, but also the military and the government. In this age in which we are living, our economy is heavily affected by political and military considerations. To neglect these vital fields, would be to do an incomplete management job.

The directors meet monthly, and the senior research officer submits for consideration of the board a report on transactions during the preceding month, and outlines basic investment policy with respect to business, the markets, and various industry groups. Following a discussion of the report, the directors set basic policy for the following period with respect to maintenance or changes of the cash reserve. In addition, policy may be enunciated with respect to the composition of the portfolio, as, for example, a recommendation to reduce cyclical stocks such as the steels and rails, and to increase defensive groups, such as the tobaccos and utilities.

One particularly important contribution of the directors to our research work should be mentioned. Our staff of analysts in connection with their job of covering various industry groups and companies undertake personal interviews not only with corporate officials, but also with government offices, economists, trade associations, and others for the purpose of checking and cross-checking. With their directorships in many corporations, and their wide acquaintances in various fields, our directors are able to open many doors for us which otherwise might be difficult to enter.

To effect a closer application of the policy of the board, and to provide a more frequent scrutinizing and review of the operation of the funds, a small committee composed of several of the outside directors and several senior officers of the firm has been set up. This investment committee meets every two weeks to review the operations of the funds, and to advise regarding policy. I should emphasize at this point that the decision as to purchase and sales of individual securities is the sole responsibility of the portfolio administrator, who is the senior research officer. We believe that this method is more flexible and effective than putting these decisions in the hands of a committee. Proper checks and balances are provided by the frequent meetings of the executive committee and the board of directors in order to provide adequate safeguards for this method of operation.

Work of Portfolio Administrator

The portfolio administrator thus has available at frequent intervals basic policy objectives of the board and the recommendation as to the amount of reserves to be held in the form of cash or government bonds. This provides the framework within which he operates in the selection and timing of purchases and sales of individual securities.

I should make it clear that the recommendation as to the amount of reserves to be carried applies only to our common stock funds. In our balanced fund, which is designed to provide a complete investment program for the individual, the proportion of high-grade fixed income securities and of securities of essentially an equity nature varies in accordance with the operation of a modified formula plan.

The formula plan is designed to reduce the risks of market fluctuations by providing an automatic means of timing the purchase or sales of common equities, and conversely of high-grade fixed income securities. In essence, the thesis of the formula plan is that as the market rises, the risk of loss from a market decline increases, and to offset this greater risk element, the proportion of the portfolio invested in common stock is reduced, and the proportion invested in high-grade fixed income securities is increased. Theoretically, at the top of a bull market, the portfolio will consist solely of high-grade fixed income securities, and at the bottom of the depression, the portfolio will be invested to its limit in common stocks. Needless to say, it doesn't work this beautifully in practice. Nevertheless, the formula plan does reduce materially the hazards of market fluctuations and this is the essence of a fund whose objective, as I have stated, is to provide a complete investment program for the individual.

The first step in setting up a formula plan is to determine a normal level of the market at which the proportion of fixed income securities and common stock will be balanced in accordance with the objectives of the fund, say 50-50. The next step is to establish the probable upper and lower level of stock prices. Then within this range, benchmarks are set at which point the proportions are varied as the market moves up or down.

The history of the market itself furnishes the most logical basis on which to set the norm. Using the Dow-Jones Industrial Average as a measure of the market, the norm was 150 in the prewar period, based on the average level of this index over a number of years before the war.

However, the formula cannot be set, and then mechanically adhered to regardless of circumstances. To be of real value, it must be modified in the light of basic changes in the economic environment. A depreciating value of the currency would be such a fundamental change.

Over the last seven years of the post-war period, the average price of the Dow-Jones Industrials has been about 210. A formula plan which rigidly adhered to the prewar norm would have been completely out of the stock market at much lower levels than the 261 average that now prevails. Furthermore, the portfolio which would be completely in fixed income securities would show a substantial loss by reason of the large decline in the purchasing power of the dollar over this period. Unfortunately, there is no mechanical substitute for judgment in the investment field.

Even where the matter of timing is taken care of in an automatic manner by the formula, the question of selection is of the utmost importance in the balanced fund as well as the common stock funds. I need not document or belabor this point. One has only, for example, to refer to the widely disparate behavior of the component stocks of the Dow-Jones Industrial average over the postwar period. In making decisions as to selection, the portfolio administrator relies upon the fund of information made available to him by the research department. Let me describe how this department operates, and the procedure whereby selection of securities is made.

The Research Work

The research department consists of a staff of senior analysts who are aided in their work by appropriate clerical and stenographic assistance. Each senior is responsible for following and reporting on a specific industry or group of industries. One specialist, for example, covers the utility industry, another the railroads, and another the light consumer goods group.

Insofar as is practicable the division of work is made along related lines. For example, the analyst who has under his responsibility the grocery chains, food companies, and other similar commodity industries must, of necessity, follow closely the agricultural situation. Since the sales of the agricultural equipment manufacturers depend upon farm income, this analyst has this industry under his jurisdiction rather than the analyst who is

Continued on page 37

*An address by Mr. Humphrey before the Third Annual "Forum on Finance" of the Joint Committee on Education representing the American Securities Business sponsored by the Association of Stock Exchange Firms, Investment Bankers Association of America, National Association of Securities Dealers, American Stock Exchange and the New York Stock Exchange, at the Graduate School of Business Administration of New York University, New York City, Sept. 3, 1953.

Private Investment in Underdeveloped Countries

By JOHN J. McCLOY*

Chairman, The Chase National Bank

Mr. McCloy notes pressing problem of private investment taking place of diminishing government aid. States not the volume, but the form of U. S. private capital exports has changed since the 1920s. Emphasizes investor's freedom to exercise his own judgment without regard to any considerations other than his own assessment of the safety of his capital and promise of return.

In the struggle to reach a critically-needed improvement of the economic level in the postwar world, we have seen some truly major developments. The war and the postwar period brought to light a tremendous and a pressing need for capital replenishment, so great that extraordinary methods had to be adopted to deal with it. Sums of vast magnitude, sums unprecedented in history, were made available over a relatively short time by governments—mainly, to be sure, by the United States Government — to help meet this need.

John J. McCloy

The center of financial power having shifted west, history must record, I think, that the new sources of wealth responded handsomely, both in method and in amount, to the world need. But the need was so great, so urgent, and the character of the required investment such that it was quite beyond the capacity of private capital and the private investor to meet. In larger part, government aid took the form of rehabilitation after the ravages of war, and it was directed to the great centers of European civilization. The highly developed communities of the world were the chief recipients. But at the same time a real consciousness arose of the needs of the undeveloped countries of the world, and substantial government aid was directed toward them as well, though on a lesser scale.

As the European Continent now gives unmistakable signs of emerging from at least its immediate war-induced condition, the problem of these other cummunities, generally speaking, still present themselves to us.

Now, government aid, on a grand scale, at least, is passing from the scene. Whatever may be the remaining needs, or let us say, the desired levels, the likelihood, if not the reality, is that this form of aid is not in reasonable prospect.

What, then can reasonable men look to in the way of private investment to meet the need? We are here to discuss this problem.

We are not here to linger over and deplore the passing of government aid on this scale, but to examine the extent to which private investment can succeed to its place.

What are the prospects? What are the obstacles? What stimulants need be given to induce a substantial flow of such capital? We have some gentlemen with us this morning equipped to discuss this problem, but the limitations on our time are such that nothing exhaustive in the way of either discussion or solution can be expected.

*Statement by Mr. McCloy as chairman of panel discussion arranged by Board of Governors of the International Bank, Washington, Sept. 11, 1953.

Before calling on them, however, I want to make some comments which may indicate the potential and, indeed, the actual substance of this private financial investment that we are talking about.

Sizable Financing Growth On

There has been a tendency, I think, to forget that very sizable movements of private capital have gone on during this period of government aid. For example, the total net exports of private capital by the United Kingdom over the last seven years are generally estimated at over $3 billion. New non-domestic issues of debentures and shares on the London Stock Exchange during this period amounted to almost $1 billion, excluding refunding. Swiss investors have also contributed substantial amounts in the form of bond subscriptions and direct participations.

As for the United States, the net amount of private capital exports during the same years was over $5 billion, and probably over $8 billion if reinvestment of earnings is included. It is worthy of note that this roughly represents the same average annual amount as was exported in the 1920's at the peak of the capital export boom, even allowing for the decline of the purchasing power of the dollar.

The figure is even more striking if we take the gross movements. Repayment and repatriation of United States investments abroad have amounted to about $6 billion during the postwar years. The actual gross amount of private American investment abroad, including reinvestment, has therefore been of the order of between $14 billion and $15 billion.

Capital exports from the United Kingdom and from Switzerland have taken a form that is not essentially different from that of prewar investment. Both the Swiss and the British investors have subscribed to bonds of governments abroad and at the same time purchased other majority or minority interests in enterprises abroad. Generally speaking, however, the United Kingdom investor has restricted his activities to the Commonwealth countries and to the dependent overseas territories within the sterling area.

Change of Prewar Pattern

So far as the United States is concerned, the prewar pattern has changed considerably. Bond subscriptions were the main instruments used in the 1920's. These have now fallen to a small fraction of the total. Minority participations or share purchases on foreign stock exchanges have been small. This disappearance of portfolio investment has been due perhaps more than anything else to a change in the type of investor in the United States. Private savings in this country today are less in the hands of large individual investors and more in the hands of a large number of small investors. Moreover, the individual investor did not retain a particularly pleasant memory of his foreign bond holdings from the period between the wars. Today the small investor tends to hold insurance or savings deposits or government or tax-exempt securities. To the extent that he is interested in shares, it is in domestic equities. The big foreign investor in this country over the last six years has been the large corporation which wishes to diversify and to expand its supply sources or to expand its marketing facilities or its sources of earnings. The bulk of the investment has been in the form of direct participation with either majority holdings or at least a voice in the management, or through branches or subsidiaries abroad. Moreover, it is a significant characteristic of this type of investment that it has been predominantly directed to the dollar area or to the extraction of commodities entering into world dollar trade.

Discussion can help us improve the conditions under which private capital movements can develop and play a greater role than they have during the past year. What are the circumstances which must exist if direct investment by large corporations are to continue and develop Can the private investor again be induced to hold bonds or shares in foreign countries? We cannot cover, of course, all the problems on the subject of international capital transfers. There are too many ramifications. We cannot profitably discuss ideologies or the merits of foreign investment. We cannot discuss to what extent a substantial increase in local savings will eliminate the needs of foreign capital imports.

We shall assume that countries desirous of receiving a capital inflow wish to bring about a net addition to whatever local savings are already available for investment in their territory.

We are dealing with a problem that cannot be wholly solved by financial mechanisms. It has deep psychological aspects. Government capital can be directed, but private capital movements cannot be directed; they can only be induced.

The private foreign investor, whether an individual or investment trust or investor corporation will weigh in his or its own mind the risks incurred against the expectation of a profitable return. The investor will not be moved to invest abroad because of military strategic considerations or because to do so may be in the national interest of the recipient country or, indeed, of his own. He will reach his decision without regard to any considerations other than his own assessment of the safety of his capital and of the prospects of its bringing him a reasonable return. He remains free to exercise his own judgment.

What we must find out today is how we can dispel his doubts and what factors may influence his judgment.

With Hamilton Mgt.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Donald G. Whiting has become connected with Hamilton Management Corporation, 445 Grant Street.

Two With First Southern

(Special to THE FINANCIAL CHRONICLE)

BOYNTON BEACH, Fla.—Carroll M. Harris and Otha L. Wooden have become affiliated with First Southern Investors Corporation, 524 Jasmine Street.

Two With Pruett Co.

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga. — Erskine F. Gaston and Mary L. Hutchins have become associated with Pruett and Company, Inc., 710 Peachtree Street, N. E.

From Washington Ahead of the News

By CARLISLE BARGERON

Aboard S.S. PIONEER IN LAKE SUPERIOR—Your Correspondent is traveling as a VIP across the Great Lakes on one of the fleet of some 285 ore carriers which for about eight months in the year shuttle between the Upper and Lower Lakes with iron ore for the nearly insatiable maws of the country's steel industry. Great Lakes enthusiasts will tell you that if it were not for the Great Lakes the country would not have the steel industry it has and, therefore, would not be the strongest nation in the world that it is. Conversely, if it were not for the steel industry the Great Lakes would not be the great traffic artery they are.

Carlisle Bargeron

As it is, it is as if Nature set up the Great Lakes for the movement of iron ore. Essentially they are a transportation medium for that one commodity. Grain, coal and limestone, the latter next in quantity to ore, also move over the lakes but without ore, and its related commodity, limestone, the lake traffic would scarcely be more than that of an inland river. With ore and limestone, though, a greater volume of traffic moves over the lakes in an eight-month season than moves through the Atlantic, Pacific and Gulf ports combined. Some 100 million tons of iron ore will have been brought down before this season closes early in December.

Proponents of the much controverted St. Lawrence Seaway are wont to use the volume of traffic over the lakes as an argument for their project, asserting that a tremendous Midwest-world trade traffic would develop if the Lakes had a deeper outlet through the St. Lawrence River to the sea. But the traffic for which the Lakes were seemingly created by Nature has no direct relation to world trade. It is peculiarly a domestic traffic revolving around one industry, its greatest one, of course.

Propagandists debate as to whether the high grade Mesabi ore is running out. Out here there is a confidence that long after any of us are living Mesabi will still be the backbone of this country's steel supply. Already boats are bringing down the "new ore," taconite. Some half billion dollars have already been spent on beneficiating plants in the iron country.

This iron ore fleet would make the efficiency experts green with envy. The vessels, averaging 11,221 gross tons, move with the ease and precision of street buses. At Port Huron, Mich., we stop for coal. It is not a matter of killing a day, backing and filling. We ease up along the dock, are tied down, get our coal and are on our way in 20 minutes. At the famous Soo Locks there is a slight congestion just as is the case of street cars at a traffic circle around 5 o'clock. But we are there only one hour and a half. Once we are in the Lock we are put through in 20 minutes, having been lifted from the Lake Huron side 24 feet to the Lake Superior side. The average time for a boat in port is about six hours. Whether it is day or night, Sunday or a week day, the boat ties up, and the shovels immediately begin pouring in the reddish brown or the coal dust-like metal which means so much to this country's economy. The crew is allowed only four hours ashore. In similar time the boat is unloaded at the Lower Lake ports. In each instance the hatches are sealed down and the boat is underway, at 2 o'clock in the morning or 12 noon, whatever the time may be. There are no port formalities, no red tape with government officials, the boat just gets up and leaves.

We left a dock at the Jones and Laughlin steel plant in Cleveland in the Cuyahoga River at 6 o'clock. We were backed down the tortuous narrow stream by two tug boats for a couple of miles to a turning basin. It was a masterpiece of efficient operation. At the turning basin the tail end of this 504-foot vessel was swung into the basin with never more than a 10-foot margin. The bow is now pointing outward but it is still a delicate movement, like turning sharp street corners, as we move through the river under countless draw bridges until we get into Lake Erie about three hours later.

The skipper, genial Irishman, Capt. T. E. O'Leary, in his mid-fifties, has been working the Lakes for more than 40 years. His boat is not at the top of the fleet of the Cleveland Cliffs Iron Co., incidentally, the oldest ore carriers on the Lakes. The flagship, Edward B. Greene, for example, carries 20,000 gross tons as compared with the Pioneer's capacity of 9,800 tons, but our skipper maneuvers his charge through the narrow channels in rivers connecting the Lakes with the tenderness of a man pushing a baby carriage. In the Locks, in which a vessel fits as snugly as a foot in a shoe, it would do no harm, of course, were the vessel to scrape the sides, no more so than when it is berthed. But nevertheless our boat never once touches either side.

We have heard a lot in the St. Lawrence controversy about how if this country doesn't participate in the necessary work in the International Rapids section of the St. Lawrence River, Canada will do it and discriminate against American vessels. A trip such as we are taking completely demolishes that argument. In the Great Lakes, although the International Boundary runs through the middle of four of them, Canada is almost wholly dependent upon this country. There are five Locks at the Soo, for example, four on the American side and one on the Canadian side of St. Mary's River. The Canadian Lock is only about 17 feet deep and is used only for vessels in ballast. The heavy Canadian grain movement from Port Arthur and Fort William at the head of Lake Superior and other Canadian tonnage goes altogether through the American Locks for which there is not one penny charge. The navigability of St. Mary's River from Port Huron to Lake Superior, 61 miles, is altogether on the American side, way on the American side. All the work of maintaining and improving the channels in the Great Lakes system is, in fact, done by the U. S. Government. In short, it might be said, the Great Lakes system is this country's; the St. Lawrence River's is Canada's. I imagine that relations between the two countries in the matter of the combined Great Lakes and St. Lawrence River will always be amicable.

Public Utility Securities

By OWEN ELY

South Jersey Gas Company

South Jersey Gas Company was originally a subsidiary of Public Service Corporation of New Jersey (predecessor of Public Service Electric & Gas). In April, 1947, Peoples Gas Company was merged into South Jersey Gas, with a recapitalization, and in July, 1948, the new common stock was distributed to holders of Public Service Corp. of New Jersey as part of the dissolution plan of that company. Since United Corp. was a substantial holder of Public Service, it acquired 154,230 shares of South Jersey which it later sold to an underwriting group, the stock being retailed at $15.63 a share in July, 1952.

In May, 1952, the company acquired Cumberland County Gas Company, which was subsequently liquidated. Cumberland had been purchasing gas from the company and distributing it to approximately 11,000 customers in Cumberland County, N. J., including the towns of Millville and Vineland.

Since the original distribution by Public Service, the common stock has advanced from 3 to a high of nearly 20 in 1951 (see table below). At the current price around 16¼, paying $1, the stock yields over 6%.

On a pro forma basis (including Peoples Gas) share earnings in 1943 were a deficit of 5c. The following year earnings were 5c in the black, and they improved steadily (with the exception of a setback in 1947) in each subsequent year. The latest published earnings were $1.23 for the 12 months ended June 30, and for the calendar year 1953 earnings have been officially estimated (earlier this year) at between $1.30 and $1.35.

It has been reported that interests connected with the management of Standard Gas & Electric have taken an interest in the company. Mr. A. A. Lippe, Executive Vice-President and Treasurer of Standard, is a Director of South Jersey.

The company serves a population of about 369,000 in five counties in southern New Jersey, and also does some wholesale business. Atlantic City is the most important of the 70 communities served, and its commercial and residential demands account for a considerable part of the gas load. Other municipalities, outside the resort area, have manufacturing enterprises. Residential sales accounted for 55% of 1952 revenues, commercial and industrial 39%, wholesale 5%, and other 1%.

The company buys its entire supply of natural gas from Transcontinental Gas Pipe Line Corp., the contract extending for 20 years with renewal options for three additional five-year periods, providing for purchases of 20 million cubic feet daily. The company is seeking to obtain additional gas.

The company converted to natural gas in February, 1951, which helps to account for the improvement in earnings. By the end of 1952 it had about 7,800 heating customers, with a backlog of 802 not yet installed. Records were established in 1952 in sales of gas ranges, automatic water heaters and gas refrigerators by the company and cooperating dealers, customers spending an average of $11.50 for gas appliances in that year. Restaurants, hotels, etc., also installed 196 new commercial units.

The company has also been successful in pushing its industrial sales. With the completion of the new pipeline from Millville to Vineland, the Millville plants of Armstrong Cork and Wheaton Glass were connected. Later mains were extended to supply natural gas to Seabrook Farms, one of the largest foods processors in the country. This overall increase in industrial sales permits the maintenance of high load factor during the summer season when there is no demand for heating.

While Transcontinental Gas Pipe Line some time ago filed applications with the Federal Power Commission for higher rates, South Jersey Gas has obtained permission from the New Jersey State Board of Public Utility Commissioners to pass along any such increases is cost of gas to its customers through an adjustment clause.

At the end of last year following its December financing, the company had a strong capital structure—approximately one-half debt and one-half common stock.

South Jersey Gas serves an area which is enjoying rapid growth due to the opening up of new bridges and turnpikes and the influx of new industries into the Delaware River Valley. The area is expected to continue to enjoy rapid growth for some years, benefiting by the current trend toward decentralization of industry.

South Jersey Gas Company*

Calendar Year	Revenues (Millions)	Common Stock Record: Earned	Dividend	Approx. Range
1952	$6.3	$ .99	$ .75	18 -14¼
1951	5.2	.88	Nil	19¾-11¾
1950	3.8	.53	Nil	13½- 9½
1949	3.6	.41	Nil	11½- 5½
1948	3.7	.38	Nil	6 - 3
1947	3.0	.15	--	----
1946	2.7	.29	--	----
1945	2.3	.22	--	----
1944	2.1	.05	--	----
1943	1.9	†.05	--	----

*Figures are adjusted for 1947 recapitalization and merger with Peoples Gas Company. †Deficit.

With Francis I. du Pont

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Richard A. Gianti and Leon A. Rettenmaier are now associated with Francis I. du Pont & Co., 317 Montgomery Street. Mr. Gianti was formerly with Blair, Rollins & Co., Incorporated; Mr. Rettenmaier was with Davies & Co.

Correction

In the "Financial Chronicle" of September 10th, in reporting the association of Henry J. Arnold with Geo. Eustis & Co., as vice-president, a Cleveland dateline was given in error. Geo. Eustis & Co., members of the Cincinnati and Midwest Stock Exchanges, is located in the Traction Building, Cincinnati. The firm was established in 1862.

Diets and Business

By ROGER W. BABSON

Mr. Babson predicts that in next decade Americans will become educated to their dietary needs and cause revolution in food industry. Says time is coming when a sales-conscious food producer will have physicians guide them in making up food packages and the nature of their contents.

Someone has said that we are what we eat. If this is true, some of the people I've seen during my lifetime must have had mighty peculiar diets! Did you know that the last dozen lush years have made the fat man America's No. 1 health problem? That's what many doctors say. What has this to do with business? More than you would guess.

Roger W. Babson

I predict that in the next 10 years Americans will become universally educated to their dietary needs and that this knowledge will bring about a revolution in the food industry.

People Are What They Eat

There is nothing new about the idea that people physically are what they eat; also that diet indirectly affects their mental and spiritual powers. Way back in the 18th century, Lord Anson kept a careful record of his voyage around the world. Not only did his men suffer beyond imagination, but they died from scurvy at the rate of four to six a day. Once they reached a port where they could get fresh meat and vegetables, the disease subsided and all the sick recovered. Since Lord Anson's day we have learned a great deal about food and what it does to people. One investigation showed a group of Harvard students to be an average of one and one-third inches taller than their fathers. Why? Two main factors: better diet and the reduction of childhood diseases.

Studies have shown that children from prosperous neighborhoods, because of better diets, are both healthier and more intelligent than those who are poorly fed. But there is also plenty of evidence that people need to be educated about food and diet. For example, many persons prefer deficient white breads to rich whole wheat; or prefer polished rice to the unmilled product. Cows' milk, with its valuable properties, is viewed with prejudice by some peoples of the world, with much the same feeling we have about excretions. In short, food likes and dislikes are often irrationally formed, with little reference to food merits. We all would feel better and be more successful in our business or other work if we ate fewer starches and sweets.

Diets and Sales

The increasing interest in the effect of diet upon health is the result of a steady drive on the part of doctors, insurance companies, and progressive business managements. They have armed themselves with motion pictures, weight-control charts, sane radio and TV advertising. Company managements, anxious to keep their executives alive, gladly pass findings along. The result: progressive food distributors, seeing a heavy market in the more than 30 million dieters, (diabetics, those with hypertension, the overweight, the underweight, and those with allergies), have capitalized on the situation. Some food manufacturers are appealing to the fat boys and girls to buy only the low-count calorie foods, to the point where some high-count calorie foods are having to struggle to keep their markets.

The time is coming when a sales-conscious management will have a physician or two on its team. Foods will be packaged accordingly to dietary groups with calories, minerals, and vitamins printed conspicuously on the label. Already, in the struggle for your food dollar, some unscrupulous manufacturers have been called to account by the Federal Trade Commission for advertising such healthful contents when their foods did not contain them. The fight is bound to get hotter; and in the process some consumers will get burned. But when the smoke finally clears away, we shall all have safer, saner diets and find ourselves healthier and more efficient for the struggle and competition which are ahead of us.

First Boston Group Markets Mountain Fuel Capital Stock

An investment banking group headed by The First Boston Corp. on Sept. 16 offered publicly 303,080 shares of $10 par value capital stock of Mountain Fuel Supply Co. at $18.25 per share. The shares being sold constitute a portion of the holdings of The Ohio Oil Co. which is reducing its holdings of Mountain Fuel stock in view of its position under the Public Utility Holding Company Act of 1935. Ohio will continue to own 177,777 shares of Mountain Fuel stock.

Dividends on Mountain Fuel capital stock have been paid each year since the company's organization in 1935, with the latest quarterly payment amounting to 25 cents a share paid on Sept. 14, 1953.

Mountain Fuel is engaged chiefly in the production, purchase and distribution of natural gas to customers in Utah and to a smaller degree in the producing and marketing of oil and other liquid hydrocarbons. For the six months ended June 30, 1953, operating revenues totaled $7,925,000 and net income was $1,668,000 or 84 cents per share of capital stock.

M. C. Gelman Co. Formed

Murray C. Gelman is now engaging in a securities business from offices at 720 West 173rd Street, New York City, under the firm name of M. C. Gelman & Co. He was formerly with First Investors Corporation.

LETTERS TO THE EDITOR:

Conflicting Opinions Regarding The United Nations

Edward Ball, in commenting on William A. Robertson's article, hits theory that differences of opinion between nations can be settled satisfactorily by meeting of nations around conference table. Arthur Sweetser holds article is based on "colossal fallacy" and that member nations of UN "deserve not mere negative criticism but real aid and assistance."

Editor, Commercial and Financial Chronicle:

The article by William A. Robertson pertaining to the United Nations, published in the "Chronicle" of July 2, is most interesting and informative and it would be desirable if all of the members of Congress were to read it carefully.

Edward Ball

It is my opinion that the United Nations as presently organized is only a debating society, operating to the detriment of the United States of America, who pays the major part of the cost of supporting and operating this organization.

In its concept, it is no different than the League of Nations. History teaches us that throughout the ages, there have been repeated efforts for a world organization. Human nature not having changed enough to speak of since recorded history began, there is no reason for intelligent people to believe that differences of opinions between nations can be settled satisfactorily by a meeting of all the nations of the world around a conference table.

If such an organization as the United Nations could be made effective, it would, in my opinion, result in the subjugation of the white race by the yellow and black races, as there are about three and a half of them to each one of us. It is true that the white race for a number of centuries has dominated the yellow and black races, first, through the intelligence that permitted them to invent and perfect superior weapons to those that the yellows and blacks had or could produce; and second, due to their native ability, they were able to perfect more efficient organizations of government and expand vastly the territories over which the white race rules. Under a one-world government, we would give away the advantages we have enjoyed, as it is impossible for the white race to out-vote the yellows and blacks, particularly when so many of the white race want to put themselves on the same level as the yellows and blacks.

To state it a little differently: I am an American and I believe in the United States of America first; the British Empire second, for the simple reason that they have been the principal proponents of individual freedom and liberty.

EDWARD BALL

Barnett National Bank
Building, Jacksonville, Fla.
August 27, 1953.

* * *

Editor, Commercial and Financial Chronicle:

As one with 35 years' experience as an official of our own government, of the League of Nations, and of the United Nations, I deeply regret Mr. Robertson's type of exposition. This for three principal reasons:

First, it is based on the colossal fallacy that the States Members of the Security Council "are at this time, or within the past five years have been, governors of the world" — "that they have sat as world rulers, for a time at least, since 1946"—and that they variously have been "in a position to give orders to the world" — "to govern the destinies of others" —or perhaps, by their single vote, to determine "peace or war for the world." Amazing news this would be for the delegates concerned; one is staggered to guess how anyone who had "An Inside View of the United Nations" could come forth with a conclusion so diametrically contrary to the actual facts. Both the law and the operation of the United Nations are admittedly complex to define, but statements so extreme as these confuse rather than clarify a situation which it is desperately necessary for us to understand. Starting from this fallacy, the article is readily able to build upon it the most horrendous structure.

Second, it is immensely bad propaganda for the United States. Nothing is so explosive as national pride; offend that and the battle is lost at the start. But here, in th s article, is an unrestrained analysis, country by country, which is sure to be offensive to those very nations with which our own is seeking close and friendly relations in the all-vital matter of seeking to avoid war and promote human well-being. Our Latin American friends, who are so important to us, are branded variously as "mere military despotisms," "storm center," or "land of revolution"; our nearest neighbor, Mexico, "a stormy petrel," is condemned as never having "learned to govern itself"; and of Cuba, to which we gave independence, it is mercilessly said: "that such a country should be placed where it is to act as a 'world governor' is an insult to decency and common sense." Pleasant reading, this, for our southern neighbors!

But the list goes on around the world. The presence on the Security Council of ancient Egypt, which has given so much to the world over the millennia, is "an absurdity and a monstrosity." Little Lebanon, which does not seem very warlike, "has none too peaceful or reassuring a record" to be elevated "into a position of world authority"; can Syria, it is asked, be sure enough of itself "to give orders to the world"; Pakistan, India, and Turkey, especially the second, "have yet to show the ability to govern either themselves or others." Britain and France are coldly dismissed as if without ability to contribute; the English-speaking dominions and the Scandinavian countries are left without mention. A terrifying world indeed, if it were the whole picture, but even if it were, it is the only one we have, or are likely for a long time to have unless we get a worse one; our job is to adjust to it and improve it, not merely to condemn it out of hand. While obviously it is our duty, and also our necessity, to appreciate the weaknesses as well as the strengths of our associates, it does no good to stress only the weaknesses in this most unsympathetic manner and thus throw the whole picture out of focus.

America's task in trying to secure its own peace along with the world's is immeasurably difficult beyond any that statesmanship has ever been called upon to face; to condemn our associates, and the only associates we can for a long time have, is not the way to make friends and secure influence in the international community. Nothing is more dangerous than to indicate that everyone is out of step but oneself and nothing more irritating than to give the impression of setting oneself up on a solitary peak of monopolistic righteousness. Russian propaganda could use this article most effectively to alienate millions of people all over the world who, despite its contrary view that our generosity has won "not one friend" around the world, respect and even love this country of ours, and thrill at the democracy, kindliness, goodwill, and sympathetic understanding which has illuminated a new light in these, humanity's most dangerous, days.

Third, I see no suggestion at all in the article that is in any way constructive. International relations have reached so delicate a situation that severe criticism can be justified only if it is ameliorated by specific, constructive proposals. The United Nations can be, and should be, criticized in many ways, perhaps most of all for the very opposite of the criticism made in this article, namely its weakness; it is certainly not the ogre it is represented as being. This is not the time to tear down and condemn without even a suggestion for improvement. The best minds and hearts in the world are at this very moment struggling to make the United Nations and its Member nations what they should and might be; they are giving the most devoted service to what is, after all, your peace and mine; they deserve not mere negative criticism but real aid and assistance. They will be considering, indeed some have already begun to consider, the details of a world conference on the revision of the United Nations' Charter which the drafters of the Charter were farsighted enough to provide for at the end of the first ten-year period in 1955; the author of the article we are discussing might well spend a second year in thinking out specific suggestions to be then discussed for avoiding war and misery in the world as it actually exists at that time. Meanwhile, I am sure that a paper like yours, with the maturity and perspective of over a hundred years, will want to be found on that side of the issue rather than to rest content with the purely critical and negative.

Yours very truly,
ARTHUR SWEETSER

3060 Garrison Street NW,
Washington, D. C.,
Sept. 1, 1953.

American Exchange Golf Tournament

The thirteenth annual golf tournament and dinner for American Stock Exchange members and guests will be held on Tuesday, Sept. 22, 1953, at Sunningdale Country Club, Scarsdale, New York, according to an announcement by Edward T. McCormick, Exchange President. Harold J. Brown, who fired a 76 to win last year's tournament, will defend his title.

Jack Kassel, golf committee chairman, announced that in addition to the non-retirable exchange championship trophy, the President's and Chairman's trophies would be awarded to low gross and low net scorers among the members. About 200 participants are expected.

The golf committee is composed of Vanderpoel Adriance, Jr., Townsend E. Allen, George Bernhardt, Harold J. Brown, Leonard C. Greene and Walter E. Kimm, Jr., members of the exchange, and Francis X. Gaudino, of the exchange staff.

Continued from page 13

"Live Longer and Like It!"

tively as a stop-gap measure to break the chain of infection in a poliomyelitis epidemic, and by preventing a few cases directly, probably prevent many more cases indirectly. The retarding factor is that gamma globulin is prepared from fresh human blood, and human blood, in sufficient quantity is difficult to obtain. It takes the globulin from almost a pint of blood to passively immunize one child, and from the public health point of view, thousands of pints would be required to stop even a local epidemic. Therefore, gamma globulin is a stop-gap measure. It will probably always have a place in the armamentarium of the medical profession, but for practical reasons, it must be replaced by some other means of large scale prophylaxis in poliomyelitis. That means is almost here.

Many of you have seen the newspaper reports of the National Foundation's announcement of a poliomyelitis vaccine that seems to have great promise. It is very probable that this announced vaccine will not be the final step. But with some modification, it will certainly be worthy of widespread trial.

We, at Parke Davis, have been actively working in the laboratory for many years in the field of poliomyelitis prevention and treatment, and are convinced that an effective poliomyelitis vaccine is just around the corner. The big break came when Doctor Enders proved that the virus of poliomyelitis could be cultivated in test tubes containing living and growing cells from human or monkey tissue. This contribution opened the way for producing large amounts of virus that could be converted into vaccine. Such a vaccine would give much longer immunity than that which results from injections of gamma globulin. Many investigators are following this lead, and while they may not all be in agreement as to what is the best method or the best culture tissue, from this work an answer is forthcoming. As I have said, as soon as this vaccine, or its modification, is proven in the field, Parke, Davis & Company will be in a position to supply it.

In any event, poliomyelitis vaccine, when proven effective, will save untold thousands of children from suffering and death. But it would indeed be a sorry victory if we were to be able to save all children from diseases of infancy, only to have them inevitably struck down by cancer or heart disease at the apex of their most productive years. Millions of dollars and hundreds of minds are now dedicated to the solution of this problem."

Dr. Joseph H. Burcheual, Professor of Medicine at the Sloan-Kettering Foundation of Cornell Medical College, has this to say: "Real progress has been made in the past 12 years and in certain patients with lymphomas and leukemias and even widely metastasized cancers of prostate and breast the disease may be temporarily arrested and the patient returned for periods of months or sometimes even years to relatively normal health by chemotherapy alone.

"Although no compounds of permanent benefit to patients with far advanced cancer have been discovered, several of the newer agents can achieve striking but temporary remissions in these patents. Much information on the chemotherapeutic sensitivity of the cancer cell, both in man and animals, has been amassed and better technics of clinical evaluation have been devised. From this foundation, it would be amazing if far greater and perhaps decisive results were not achieved in the next decade."

Pharmaceutical Research

The Parke-Davis research organization is proud to have had a continuous role in this vitally important research project. For over seven years we have supplied the Sloan-Kettering Cancer Research Foundation with chemical compounds, developed in our laboratories, which might have value in the treatment of this dread disease. This program is continuous, and up to the present time we have supplied almost 1,500 compounds. We have that one day soon, we will develop the chemical key which will unlock the puzzle of cancer cell metabolism.

Heart disease, high blood pressure, and the other degenerative diseases, have now assumed such great importance that an entire branch of medicine, called geriatrics, has been developed to study and attempt to solve these problems. Here again hope is high for a successful solution.

At the present time physicians tell their older patients, in effect, to be their ages, take it easy, to slow down, and to avoid the pace that kills. In fact, they advise their patients how to live with their strokes, with their coronary accidents, with their emotional depressions, with their pains and agonies, with their tumors, and how to grow old gracefully. Think what it would mean if we could avoid putting people in beds in hospitals but could keep them working. According to our concept, the physicians of today are doing a great job with the knowledge at hand, but we do not believe that one dies suddenly from heart disease or strokes. We think these people have been chemically deficient for years. Because so many diseases have responded to treatment with antibiotics, sulfas, hormones and other chemicals, such ailments as heart disease, cardio-vascular disease, cancer and arthritis have become much more prominent. With the marvelous research going on today, it is only a question of time before these geriatric diseases will be overcome and old age can be an enjoyable and painless span in our lives.

When I think of the numerous results that are being produced through research, I like to think of the following quotation from Kipling. "I have six honest serving men, they serve me till I die. Their names are Who and What and Where and How and When and Why."

It is the research scientist who asks these questions of his experiments who produces the marvelous new discoveries and gives us hope of a ripe, painless, old age which we can really enjoy with our children and grandchildren.

The Increase in the Life Span

With the subsequent saving of lives and the addition of years to the average life span, it has been estimated that our people over 65 will number 20,000,000 by 1980 as against 12,000,000 now. Within the lifetimes of many present-day Americans, one-tenth of this population may live to be 100.

So far we have talked mainly about the great discoveries of medical research. I would like now to claim a small, but significant, part of this credit for the profession of pharmacy. The pharmaceutical profession has grown in stature, size, and accomplishments step by step with its sister profession of medicine. In fact, without the huge manufacturing facilities of the pharmaceutical industry, it would not have been possible to get these discoveries of medicine in the quantities required to have them applied, and

to have them make a significant change in medical statistics. I feel, therefore, that it is not too egotistic for our industry to claim that our research and production facilities are a major reason for today's better health.

I am proud to be a part of an industry which has made such a contribution, and to know that our industry is one which has been said to be continually trying to eliminate itself. By this is meant that we appear to work ourselves out of existence each time we discover how to prevent or cure a formerly important disease, and we confidently hope for the day we will be able to claim that all infectious, or degenerative diseases, can be prevented or cured. But medical and pharmaceutical research appear to be a self-perpetuating endeavor. Each time we find a way to prevent or cure a formerly fatal infection, that patient becomes a candidate, in later years, for cancer, heart disease, or one of the as yet uncontrollable infections. Research, therefore, must go back to work to find a way to control diseases which formerly were of small statistical importance, since, in the past, so few lived long enough to die from them.

Each disease hill we climb opens new horizons of yet unscaled mountains ahead. But the doctor of today is truly "one-thousand men," since he has standing behind him the contributions of the giants of yesterday and today. We, in the pharmaceutical industry, are keenly aware of our responsibilities to assist medicine in these research problems, and to insure an adequate and rapid supply of new medical discoveries, so that they may be applied quickly and effectively throughout the world.

People Are Living Longer and Like It

People today are indeed living longer and liking it. The result of the ability of medicine to prevent early demise from childhood diseases, and to keep our adult population healthy for more years, has resulted in an increasing proportion of the diseases of old age. Our population is increasing in numbers by leaps and bounds. The United States is now estimated to have over 160,000,000 people. To this is added, each year, nearly 4,000,000 babies. On the other end of the calendar our population of people 65 and over has jumped to over 12,000,000 and will approach 20,000,000 by 1980. I repeat this because we are faced with a continuing problem of training enough physicians to adequately care for this growing population, and particularly for those in the very early and very late years of life. The pharmaceutical industry must share this problem by the development of ever-increasing facilities, both for research and for production of now existent therapy, and for the many new discoveries which are sure to come in the years ahead. Fortunately, our industry now has a solid foundation of men and material to meet this ever-increasing challenge.

The investment in medical research has now reached the total of over $181,000,000 per year, and certainly this huge investment would be justified if we could develop a preventive or cure for only one of the prevalent diseases I have mentioned. Actually we expect that out of this research effort will come effective treatments for many of them.

Twenty-five years ago, the drug industry and the medical fraternity felt that much was accomplished if there was one new major discovery in drug research in a 25-year period. Today, we have come to expect one new discovery about every six months. This pace will be even faster in the future. The result of these more rapid research contributions will benefit all of us, and will surely make our great country a place in which we will all live longer and like it!

H. A. Leaverton Opens

EVANT, Tex.—H. A. Leaverton has opened offices here to engage in the securities business. Newton Locke is associated with him.

Lovett Co. Formed

LYNN, Mass.—John M. Lovett has formed Lovett Co. with offices at 8 Wentworth Street to engage in the securities business. He was formerly with Edward E. Mathews Co.

Chauncey Miller Opens

NEW LENOX, Ill. — Chauncey R. Miller is engaging in a securities business from offices here.

Morgan Stanley Group Offers GMAC Debs.

A new issue of $150,000,000 General Motors Acceptance Corp. eight-year 3⅞% debentures was offered on Sept. 15 by a nationwide banking group including 236 investment firms, headed by Morgan Stanley & Co. The debentures mature Sept. 15, 1961, and are priced at 99½% and accrued interest. Last June GMAC sold publicly an identical amount of five-year 4% debentures.

The debentures will be non-callable prior to Sept. 15, 1955 and then will be redeemable at prices ranging from 102% prior to Sept. 15, 1956 to 100% after Sept. 14, 1959.

The net proceeds from the sale of the debtnures will provide the company with additional working capital for the purchase of receivables. GMAC, a subsidiary of General Motors Corp., finances the distribution of new products manufactured by General Motors to dealers for resale and finances such dealers' retail installment sales.

During the first six months of 1953 automobile financing comprised 95% of the company's dollar volume of receivables, the remaining 5% representing other products of General Motors, including Frigidaire electric refrigerators and other household appliances, air conditioning and commercial refrigeration equipment, heating equipment, and Diesel equipment for railroads and other industries.

During the five year period 1948-1952 the annual volume of receivables acquired by the company increased from $1,737,628,333 to $4,515,152,742 and during the first six months of 1953 they amounted to $3,541,201,973. Outstanding receivables at July 31, 1953, were $2,470,000,000. This compares with $1,622,000,000 at the beginning of the year.

GMAC's total operating income rose from $33,392,000 in 1948 to $125,404,000 in 1952. Income before interest and income taxes for 1952 was $80,228,000. For the six months ended June 30, 1953 total operating income was $83,850,000 and income before interest and income taxes $53,972,000.

Increasing Public Debt As Viewed in Britain

By PAUL EINZIG

Noting strong opposition to increasing the U. S. National Debt has aroused British sympathy, Dr. Einzig discusses impact of nationalization of industries on Britain's public indebtedness. Points out indifference towards increase in public debts originated during the world wars, when rising public debts were offset by currency inflation. Sees new reaction against non-stop increase in public debt.

LONDON, Eng.—The recent reaction in American public opinion against the non-stop increase of the public debt is viewed with widespread sympathy in Britain. In many quarters it is strongly felt here that it is indeed high time to reverse the movement also in this country. It is true, owing to the fact that the British Budget has been more or less balanced since 1947, there has been no further increase of the British public debt through an excess of expenditure over revenue. On the other hand, the issue of various "Nationalization Stocks" in compensation for holdings of stocks in the nationalized industries, added considerably to the total of the public debt. In addition to this visible increase, there has been a much heavier increase of the government's contingent liabilities arising from the Treasury guarantees granted to borrowing by the various nationalized industries.

Dr. Paul Einzig

The evidence given by Sir Frank Tribe, Comptroller and Auditor-General, before the Select Committee on Nationalized Industries, drew attention to this aspect of the problem of public debt. He rightly pointed out that the dozens of guarantees granted by the Treasury to public issues and private credits under the various Nationalization Acts have escaped attention almost completely, even though the Treasury's total contingent liability arising from these guarantees has now risen to the vicinity of the amount of the funded debt of the Realm.

It is true, the assumption is that the Treasury will never be called upon to make any payments under the guarantees, because the debts of nationalized industries, like those of the government itself, will become perpetual. Yet in two recent instances at any rate the losses suffered by national corporations had to be met and their amounts had to swell the total of the public debt. These instances were the Overseas Food Corporation, whose ill-advised and ill-fated groundnuts scheme in Tanganyika cost £36 million, and the Queensland Food Corporation. Admittedly, in the case of nationalized transport, coal, etc., such situations are not likely to arise, for whenever the deficits become too heavy the government can always authorize the increase of the prices of goods or services provided by the national boards concerned. Even so it would be imprudent not to allow for contingent liabilities when calculating the extent of the public debt. An increase of such liabilities must be regarded in the same way as the increase of the public debt itself. On such a basis British citizens have no more cause for complacency than American citizens in respect of the growing trend of the public debt.

Indifference toward the increase of the public debt originated during the two world wars when the importance of national survival over-shadowed other considerations, and during the '30s when it came to be regarded the duty of the government to spend its way to prosperity if there is no other way of achieving prosperity. In past centuries the public debt had been regarded as the king's personal debt, and any king who did not repay during his lifetime everything he had borrowed was condemned as an irresponsible spendthrift by his contemporaries and by historians.

During the 18th Century the conception was gradually adopted that the public debt was something perpetual, like the existence of the State itself. Yet even such an enlightened and progressive ruler as Napoleon at the beginning of the 19th Century strongly objected to State borrowing. His attitude found expression in the preamble of the decree of Dec. 29, 1810 on the Tobacco Monopoly which was sought to be justified as a revenue-earning device aimed at avoiding an increase of the public debt. This preamble condemns the practice of public borrowing which "burdens future generations in advance, sacrifices to the present moment what men consider the dearest—the welfare of their children, undermines surreptitiously the community, and condemns the present generation to the curses of those who succeed it."

One of the reasons why this attitude ceased to be fashionable during the 20th Century is that since 1914 the increase in the nominal amount of the public debts of all countries has been largely offset by the depreciation of the currencies. Even allowing for this, the commodity value of the public debts has increased materially during the last 40 years. But the increase has been rendered bearable by the rise in prices and incomes, as a result of which it is not impossible to collect through taxation the amounts required for the services of the increased public debts.

The doctrine which has become fashionable during the last 20 years is that there is no reason why the public debt should not continue to be increased in perpetuity provided that the nonstop inflation that accompanies excess expenditure causes the currency to depreciate, thereby mitigating the increase of the burden of the public debt. This formula is not stated quite so candidly, but this is what the expansionary financial policy amounts to. Any attempt at raising the purchasing power of money by means of deflation would sooner or later defeat its object, because the present level of the public debt would become unbearable at a much lower level of prices. On the other hand, even a much larger public debt would be bearable if its increase were to be accompanied by a more or less corresponding increase in prices.

The reaction against the nonstop increase of the public debt is closely linked with the reaction against the perpetual "creeping" inflation. There is a growing feeling in most countries that a stand must be made somewhere against both.

Customers Brokers Get Slate for 1953-4

Nominations have been made for officers and members of the Executive Committee of the Association of Customers' Brokers for 1953-54.

T. Alvah Cowen

William Specht, Jr.

Edward S. Wilson

Nicholas E. Crane

Elections will be held Wednesday, Sept. 23, at 4 p.m. The Annual Meeting will be followed by a dinner honoring the new administration at which G. Keith Funston, President of the New York Stock Exchange, and Edward T. McCormick, President of the American Stock Exchange, will be honored guests.

The slate of nominees, as presented by a committee headed by Gerald L. Wilstead, Reynolds & Co., is as follows:

T. Alvah Cowen — *President* — Peter P. McDormott & Co.

Edward S. Wilson—*Vice-President*—Hallgarten & Co.

Nicholas E. Crane—*Secretary*—Dean Witter & Co.

William Specht, Jr.—*Treasurer*—Hay, Fales & Co.

Executive Committee—Marshall Dunn — Wood, Struthers & Co.; Albert F. Frank, Ladenburg, Thalmann & Co.; Ellia M. Jones—Merrill, Lynch, Pierce, Fenner & Beane; J. Harold Smith—Hirsch & Co.; Daniel Davison—Hayden, Stone & Co.

Halsey, Stuart Group Offer Equip. Tr. Ctfs.

A syndicate headed by Halsey, Stuart & Co. Inc. on Sept. 11 offered $5,250,000 of Southern Pacific Co. 3⅝% equipment trust certificates series KK, maturing annually Sept. 1, 1954 to 1968, inclusive. The certificates are priced to yield from 2.85% to 3.40%, according to maturity.

The issue is to be secured by the following new standard-gauge railroad equipment estimated to cost not less than $7,000,000: Two Diesel passenger locomotives; four Diesel freight locomotives; five Diesel switching locomotives; 168 50-ton all steel general service drop bottom gondola cars; 196 70-ton tight bottom fixed and gondola cars; 114 70-ton open hopper ballast cars, and 183 50-ton steel sheathed wood-lined box cars. Issuance of the certificates is subject to the authorization of the Interstate Commerce Commission.

Other members of the offering group include: R. W. Pressprich & Co.; L. F. Rothschild & Co.; Blair, Rollins & Co. Inc.; Baxter, Williams & Co.; Freeman & Co.; The Illinois Co.; Wm. E. Pollock & Co., Inc.; Gregory & Son Inc.; and McMaster Hutchinson & Co.

Defends Federal Reserve Credit Policy

September "Monthly Bank Letter" of the National City Bank of New York reviews attacks of Senator Douglas and Mr. Eccles on current credit policies, and points out, after three months of the worst "credit squeeze," there are no signs of broad credit or price deflation.

In an editorial review of the debate that has been taking place regarding the impact of the current Federal Reserve credit policy and the Treasury's debt management program, the September issue of the "Monthly Bank Letter" of the National City Bank of New York, in decrying the criticisms of Senator Paul Douglas, of Illinois, and former Chairman of the Federal Reserve, Mr. Marriner S. Eccles, holds there is no indication yet that the "tight money" policy is leading to credit or price deflation.

Commenting on this, the "Monthly Bank Letter" states:

"In light of all this controversy it is relevant to take a look at the economic conditions during the spring when the Federal Reserve and Treasury were having to make their decisions. Production was running higher than a year before, as the chart shows, and requiring overtime work in many of the industries. With the benefit of a restrictive credit policy, broad price indexes held steady—a fact that is of special significance in light of the removal of price and wage controls during February and March. The reasonable conclusion would seem to be that pressure on credit supply this spring — spreading caution among lenders and borrowers alike — might have had a healthy effect of avoiding another rash of advancing prices.

"The performance of the economy suggests that Senator Douglas' description of 1951-52, cited earlier, also fits the first half of 1953: 'we did not need a dose of inflation to get full utilization of our productive facilities and labor power.'

"Even now, three months after the worst of the credit squeeze, there are no signs of broad credit or price deflation. Industrial production declined seasonally in July but continued ahead of 1951 and 1952, and nonagricultural employment reached the highest level for the month on record. Since June the price movement has been upward, rather than the reverse, and fractional advances in the cost of living index to a new high level have brought into play escalation clauses under wage contracts.

"If business should decline sharply later this year some people may be inclined to put the blame on the April-May credit squeeze on the theory that the June-July ease-up did not come quickly enough. Senator Douglas, as noted earlier, feels that 'many of the economic tendencies which were set in motion are irreversible.' If this view should prove to be correct, it will also have to be admitted that, probably for the first time in history, the authorities eased up to relieve a business downturn months before it had confirmed its existence in the broad employment, production and price indexes."

Continued from first page

Inflation, Deflation or Confusion?

sees: That we are approaching the end of the prosperity rope. Common sense and past experience add up to the obvious conclusion: when the supply begins to outrun the demand, a correction of the price structure, and all that goes with it, are clearly indicated.

Timing is the next question, and most important. Note that in the 'Twenties it took three years of declining crude material prices before the bubble burst. (In fact, the farm had been depressed since 1921—for eight years, while the rest of the economy felt no pain!) And the paradoxical situation might have continued longer, had it not been for the wildest speculative orgies and foolish credit expansions mankind has ever seen—under the gold standard, to be exact.

Presently, the credit expansion proceeds faster than ever. Public, corporate and individual debts are piling up at the fantastic annual rate of $30 to $40 billion (net) as against $7 to $8 billion in the 'Twenties. But the credit structure has not degenerated as yet into the kind of recklessness as it did then, not by a long shot. Commodity prices have been downward bound for two-and-a-half years, this after a speculative upsurge that had no better base than the expectation of a World War. As a matter of fact, what we are witnessing so far is nothing more than a correction of that upsurge in 1950-51.

The double pronged process boom in the industrial sphere, combined with a deepening recession on farms and plantations and in the mines, could go on for a while—until the glut spreads into the manufacturing field as well, and a general recession takes over.

That is just where we are now, one may observe, on the brink of that very thing called General Overproduction. Or how much longer can one sell up to seven million cars and a million new dwellings each year? What about the overstocked second-hand car lots and appliance inventories? And aren't wages climbing ahead of consumer purchasing power, threatening to price one merchandise after another out of the market? The answer to all these questions is: Yes—but . . . the normal logic of things does not apply that simply in an economy in which the **demand** is bolstered by governmental spending and the money printing press.

An artificial prosperity "hangs itself" with its own ropes, so to speak: it stimulates production beyond the markets' capability to absorb the output. And it does not take very much surplus either; the difference between prosperity and depression is rarely more, often less, than 10% of the total output. But the sinew of the markets is **money**. If there is enough, of it available, or poured continuously into the arteries of circulation, the "high plateau" of business can be maintained for an unusually long time. Money outpour holds up the prosperity edifice, as it were, by filling the emerging leakages and holes in the walls of the **demand** by ever-fresh paper-masonry.

Farm prices are weak; but how much further can they tumble when the Treasury buys up, in effect, the farm products by the hundreds of millions of bushels and bales? A floor is set under the price of steel when the government spends $40-odd billion a year on armaments alone. In fact, as long as some $74 billion are being disbursed annually by Federal authorities, and nearly $30 billion by state and local governments; as long as the two groups of political spenders have to borrow, between them, to the annual

tune of $10 billion or more; as long as the Federal Reserve provides the banks with the necessary "reserves" to finance all legitimate credit demand by business, home builders, consumers and farmers—it is hard to see how a major break can occur. Minor ones do occur, as in 1949. But how vividly do we remember that then, too, a depression seemed to be just around the corner?

In short, we are operating on the verge of a recession, but are postponing it by continuous or recurrent shots-in-the-arm. The trouble is that they provide the incentives for ever-more expansion of the productive apparatus. The shots have to grow bigger; otherwise, they become ineffective. Each time they incite fresh wage demands which cause costs to rise, in turn driving the prices of manufactured goods upward—and create an "urgent" need for more money, and so on. The result is a substantial rate of growth of the money supply (adjusted bank deposits plus currency in circulation): by $7 billion in 1950, $9 billion the following year, again $9 billion in 1952.

A setback of business activities in the coming winter or spring is a possibility (but by no means a certainty). If so, given the determination of the powers-that-be not to permit a recession, certainly not in an election year, all financial tricks in the book of Economic Management are bound to be put into motion. We may have another 1949, perhaps a bit sharpened on the edges. But wage and salary earners will find their pay checks increased; they may save some of the added income; they will spend most of it. New investments in plant and equipment—at record high this year!—are stimulated by the ready availability of credit and by the assurance of outlets, if only due to the outpour of public funds. In other words, an interruption of the industrial boom can be short and moderate only—"thanks" to the fact that we are for practical purposes off the gold standard and are free to keep diluting the dollar. That is where the real danger enters.

Monetary inflation is the name of it. It is of the hidden or subdued variety. While it is being injected from above, inflation is creeping up from below. The latter is apparent to the eye trained on the markets. The current supply-demand situation is what attracts the businessman's attention. His expectations and dispositions are adjusted accordingly. Rightly so, from the immediate or short-run point of view. But in the somewhat longer pull, such as in a year's time, things appear in a different light.

This economy is drenched in liquidity: over $27 billion cash in circulation, well over $190 billion bank deposits, $62 billion savings bonds and notes. (The latter are nothing but savings deposited with the Treasury, redeemable on short notice.) The liquidity keeps growing year after year. It takes no more than a spark to ignite it—as the Korean "incident" did, turning surpluses into scarcities and soft prices into buoyancy. Such or similar incidents may easily occur in this unbalanced world. Continued diluting of the dollar, combined with an annual $6 to $7 billion boondoggling abroad, drains the nation's gold reserve, while foreign balances held here keep growing. A run on the dollar could start over-night, fed by devaluation rumors.

Conclusion

The immediate outlook, for the next few months, is clouded by the possibility of a setback—not enough to make a recession.

The real threat is, however, a fresh outburst of an inflation, possibly of panicky dimensions—unless the Federal budget will soon be balanced and the Federal Reserve System will stop the bolstering of bank credits by "monetizing" the national debt, by reducing the member banks' reserve requirements, and similar legerdemains.

And another outburst of price inflation will make very radical measures mandatory in order to save the dollar. That will be the breaking point at which the country may be forced into a let-down akin to a depression.

Bradley Currey Co. Formed

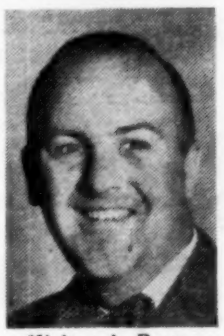
CHATTANOOGA, Tenn.—Bradley Currey is engaging in a securities business from offices at 735 Broad Street under the firm name of Bradley Currey Company.

Continues Business

CENTRALIA, Wash. — Nina H. Oliver will continue the investment business formerly conducted by Claud J. Oliver, from offices at 417 Hanson Street.

W. A. Bayer Sec. Of F. J. Winckler

DETROIT, Mich. — Fred J. Winckler, President of F. J. Winckler Co., members of the Detroit and Midwest Stock Exchanges, with offices in the Penobscot Building, announces the election of Walter A. Bayer as Secretary of the corporation.



Walter A. Bayer

A native of Detroit, Mr. Bayer is a graduate of the University of Detroit. In World War II, he served three years with the Army in India. Upon his return from the service, Mr. Bayer became associated with Ralph R. Genter, certified public accountant. Later, he joined the Udylite Corp. to set up that corporation's new estimating department. Recently, Mr. Bayer has been an industrial sales representaive for Udylite.

The F. J. Winckler Co., formerly Shader-Winckler Company, is one of Detroit's oldest investment houses, being founded in 1951.

25th Hayden Golf Tournament to Be Held

The twenty-fifth annual Charles Hayden Memorial Trophy Tournament will be held Friday, Sept. 25, at The Baltusrol Golf Club, Springfield, N. J. Four-man and two-man teams from a large number of New York investment banking houses will take part in the tournament which was won last year by a team representing Wertheim & Co. The trophy was donated by the partners of Hayden, Stone & Co. who also will contribute all other prizes. The trophy is kept in perpetual play as a memorial to the late Charles Hayden, founder of the firm. Allen C. DuBois of Wertheim & Co.; Robert W. Fisher of Blyth & Co., Inc.; William E. McGuirk of Kuhn, Loeb & Co.; and Wickliffe Shreve of Hayden, Stone & Co., compose the committee on arrangements.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The Sept. 15 maturity was taken care of rather handily by the Treasury and the strong demand for the 2⅞s due 3/15/51 was the outstanding feature of this operation. It had been expected that the 3½-year note would go well but not too many had anticipated as good a showing as was made by this issue. The improved attitude towards the intermediate term money market is given as the principal reason for the very satisfactory conversion of the maturing 2s into the 2⅞s. Although the recently issued 2⅞% note continues to be the leader of this group, there is a good demand for the other middle term maturities which have been helped by the favorable reception that has been given to the 3½-year obligation.

Switches, mainly for tax purposes, nowever, continue to supply the market with considerable volume and activity. The longer-term issues appear to be losing some attraction because of the funds that are being put into corporate and municipal obligations.

Money Market Aided

The announcement by the Treasury that about 97% of the owners of the Sept. 15, 2s had turned in their securities for either the 3½-year 2⅞s or the one-year 2⅝s was a favorable development as far as the money market was concerned. It had been indicated that the September refunding would be a successful operation and the attrition of only $263,000,000, or approximately 3%, was very much within the limits of what had been predicted by many followers of the money markets. The September maturity was a sizable one and the Treasury was not in a position to make a large amount of cash payments to the holders of the 2s because of the squeeze that the debt limit has put on the operations of this government agency.

Split Views on Rate Outlook

When the Treasury made the announcement that a "split" offering would be made to the holders of the maturing 2s, there was some question as to whether or not there would be a good reception for the 3½-year 2⅞s because of the strong liquidity preference which prevailed in the money markets. However, it did not take long for the opinion to gain momentum that the 2⅞% notes were a very desirable issue in spite of the fact that the rate was only ¼ of 1% higher than that of the one-year obligation. It seems as though the belief is quite strong now and will probably continue to gain some momentum that the intermediate term rate will ease further along with the short-term rate. With this idea in mind, quite a few owners of the September 2s went in for the 2⅞s due March 15, 1957, because they believed that money rates next September would be lower than they are now so it would be better to take the longer of the two issues offered in the refunding even though the rate differential was not very large.

The 2⅝% certificates was the most favored issue, as was to be expected, because there are so many institutions that much continue to have the liquidity which the one-year obligation gives them. Although there are many that look for an easing in short and intermediate term rates, there are just as many in the money markets that do not go along with this idea and they hold the opinion that these rates will be the same if not higher in the future. Therefore, they went in for the one-year issue not only for liquidity purposes but also because of the belief that they could do as well if not better when the 2⅝s mature next year.

Treasury Did Well

The report that $3,000,000,000 of the 2⅞s were taken by holders of the maturing 2s is considered to be a feather in the cap of the Treasury and despite the fact that the terms were favorable there was an extension of maturities. It is the policy of the Treasury to push out maturities wherever and whenever possible and the September refunding was an opportunity that was not missed, even though 3½ years may not be considered by some to be too much of an extension.

It should be remembered that existing conditions of the money markets have to be taken into consideration when maturity extensions are being undertaken, and at the present time it was evident that an intermediate term obligation was about all that could be used with success. A long-term security was out of the question at this time.

Long Treasuries Under Pressure

The full calendar of corporate and municipal obligations is having an effect upon the longer end of the government list from two angles, first, it has taken buyers away from these securities and secondly, it has resulted in sales of the Treasury issues with the proceeds going into the aforementioned securities.

Reserve Cut Rumors Persist

The talk about a further downward revision in reserve requirements continues to be as strong as ever but it seems as though the concern now is over general economic conditions, which are the focal point for the rumors of such a change in reserves and not so much the condition of the money markets.

Now Murray W. Moore Co.

DALLAS, Tex.—The firm name of Moss, Moore & Co., First National Bank Building, has been changed to Murray W. Moore & Co.

Allen Inv. Co. Formed

BOULDER, Colo.—Allen Investment Company has been formed with offices at 1921 Fourteenth Street to engage in a securities business. Officers are A. J. Lefferdink, President; H. B. Holmes, Secretary, and L. L. Sayre, Jr., Vice-President and Treasurer.

Malcolm McConihe, Jr. to Be Winslow, Douglas Ptnr.

Malcolm S. McConihe, Jr., will be admitted to partnership in Winslow, Douglas & McEvoy, 120 Broadway, New York City, members of the New York Stock Exchange, on Oct. 1.

To Be Cosgrove, Miller

Effective Sept. 23, the firm name of Neergaard, Miller & Co., 44 Wall Street, New York City, members of the New York Stock Exchange, will be changed to Cosgrove, Miller & Whitehead.

New Ulcer Drug from Oatmeal Tested

Substance derived from oatmeal is reported to show anti-spasmodic activity several times greater than atropine, without its accompanying side effects.

A Wisconsin chemist, speaking before the American Chemical Society's 124th national meeting in Chicago on Sept. 9, reported that preliminary animal tests of a new series of chemical compounds derived from oatmeal indicate "quite promising" potentials for use as ulcer drugs.

Several of the new compounds show anti-spasmodic activity several times greater than that of the ulcer drug atropine but without its accompanying side-effects, the report explained, and another chemical in the same group appears to be a potent, long-lasting local anesthetic. Clinical trails will be needed before the value of the compounds in human therapy can be determined.

Dr. John H. Biel, chief of the medicinal chemistry division of the Lakeside Laboratories, Milwaukee, told the society's Division of Medicinal Chemistry the new drug possibilities belong to a general class known as "amino alcohols," nitrogen-containing compounds which can be made from furfural, a by-product of the processing of oatmeal.

The new compounds are analogues, or chemical cousins, of such compounds as atropine, Trasentin, Benadryl and procaine (Novocain), the chemists were told. Trasentin and atropine are potent anti-spasmodic agents, Benadryl is an antihistamine drug, and procaine a local anesthetic.

A number of these new compounds, known technically as N-alkyl-3-piperidinols proved more powerful, in animal experiments, than atropine and had "a more selective effect," by-passing undesirable side-effects, Dr. Biel said.

"Although atropine is a very effective therapeutic agent it suffers from several disadvantages," he explained. "It is a plant extract of the Atrope Belladonna root, and its supply is therefore limited. In addition to being an antispasmodic, it produces a high incidence of undesirable side-effects, such as stimulation of the central nervous system resulting in restlessness, irritability and hallucinations when higher doses are given; blurred vision because of dilatation of the pupils: increased heart rate (palpitation), and dry mouth.

"Hence, a synthetic antispasmodic is desirable that has the activity of atropine without its accompanying side-effects. Preliminary animal tests indicate that the piperidinol compounds appear quite promising in this respect, since their action is more selective.

"Antispasmodics, as the word implies, relieve the painful spasms of the stomach, intestine, gall bladder and uterus. They are widely used in the therapy of ulcer and as antidotes in insecticide poisoning. The increased stress and tension of modern daily living has also increased the incidence of nervous spasms which, when allowed to go unchecked, may eventually result in the formation of gastroduodenal ulcers. In this respect, antispasmodics have gained new significance. As a pain-killer they have become as important to the cure of abdominal distress as aspirin has been in the relief of headaches and voluntary muscle pain."

One of the new compounds, N-methyl-3-piperidyl phenyl 2-thienlyglycolate, appears to be twice as potent as atropine in inhibiting muscular contractions, which were artificially produced in animals by the administration of the spasm-producing substance acetylcholine, Dr. Biel said.

A related series, benzhydryl ethers of 3-piperidinol, give promise of longer-lasting anti-spasmodic action, according to Dr. Biel. Atropine is one of the most potent known antispasmodics.

A third set of derivatives, called p-aminobenzoates of 3-piperidinol, are "potent local anesthetics equal to procaine in activity, with a more prolonged duration of action," the speaker continued.

One of the derivatives showed a powerful antispasmodic effect even at dilutions of one part in eight million, he noted. Others showed weak antihistaminic activity.

Technically, all the chemicals were created by replacing existing amino-alcohols in known antispasmodic compounds with N-alkyl-3-hydroxypiperidine, it was explained. N-alkyl-3-hydroxypiperidine can be made from furfural by a relatively simple process.

Co-authors of the paper were Harris L. Friedman, Edwin P. Sprengeler, Helen A. Leiser, and J. Horner.

Morgan Stanley Group Offers $50,000,000 Pac. Tel. & Tel. Debs.

Morgan Stanley & Co. headed an underwriting group which offered for public sale yesterday (Sept. 16) a new issue of $50,000,000 The Pacific Telephone & Telegraph Co. 31-year 4% debentures at 102.76% and accrued interest. The debentures, due Sept. 15, 1984, were awarded at public sale on Tuesday.

The utility company will use the proceeds from the sale to reimburse its treasury for expenditures made in connection with its construction program and to repay a portion of its bank borrowings made for the same purpose. Such borrowings are expected to approximate $84,000,000 at the time the proceeds are received.

To meet increasing demands for its services, the company has spent approximately $900,000,000 for new construction since 1948. Of this amount $167,000,000 was expended in 1952 and $96,000,000 during the first half of 1953.

The new debentures are subject to redemption at 105.70% if redeemed prior to Sept. 15, 1958 and thereafter at prices decreasing to the principal amount if redeemed after Sept. 14, 1979.

On June 30, 1953 the company and its subsidiary had 4,852,009 telephones in service and were furnishing local service in 633 exchange areas. The larger cities served include Los Angeles, San Francisco, Oakland, San Diego, Sacramento, Berkeley and Pasadena in California; Portland in Oregon; and Seattle, Spokane and Tacoma in Washington. About 33% of the total telephones are located in Los Angeles and vicinity and 24% in San Francisco and surrounding area.

For the six months ended June 30, 1953 the company reported total operating revenues of $282,339,596 and total income before interest deductions of $32,904,899. For 1952 total operating revenues were $535,657,492 and total income before interest deductions $64,380,757.

charges (including tolls) for the use of the Thruway, necessary or convenient, with an adequate margin of safety, to produce sufficient revenue to meet the expense of operation and maintenance of the Thruway, to fulfill the terms of the covenants contained in the Bond Resolution and to pay, when due and payable, the Bonds and any indebtedness to the State and any other indebtedness secured or unsecured of the Authority not otherwise provided for.

AMOUNTS, COUPON RATES, MATURITIES AND YIELDS OR PRICES

(Accrued interest to be added)

Amount	Rate	Due	Yield	Amount	Rate	Due	Yield or Price	Amount	Rate	Due	Price or Yield
$ 500,000	4%	1958	1.60%	$3,250,000	2½%	1967	2.20%	$6,500,000	2.60%	1976	99½
750,000	4	1959	1.70	3,750,000	2½	1968	2.25	6,750,000	2.70	1977	100
1,000,000	4	1960	1.80	4,000,000	2½	1969	2.30	7,000,000	2.70	1978	100
1,500,000	4	1961	1.90	4,250,000	2½	1970	2.35	7,250,000	2¾	1979	100
1,750,000	4	1962	1.95	4,500,000	2½	1971	2.40	7,500,000	2¾	1980	100
2,000,000	4	1963	2.00	5,000,000	2½	1972	2.45	7,750,000	2¾	1981	2.80%
2,250,000	4	1964	2.10	5,500,000	2½	1973	100	8,000,000	2¾	1982	2.80
2,500,000	2½	1965	2.10	5,750,000	2½	1974	99½	8,250,000	2¾	1983	2.80
3,000,000	2½	1966	2.15	6,250,000	2½	1975	99	8,500,000	2¾	1984	2.80

These Bonds are subject to redemption prior to their respective maturities, at the election of the Authority, at any time on and after October 1, 1963. Redemption prices start at 103% and 104%, depending upon the amount of Bonds called, and the premiums decline in successive five-year periods to minimum prices of 100½% and 101%, applying from October 1, 1978 to final maturity. Full details appear in the offering prospectus.

The above Bonds are offered, subject to prior sale before or after appearance of this advertisement, for delivery when, as and if issued and received by us and subject to the approval of legality by the Attorney General of the State of New York.

The National City Bank of New York — The Chase National Bank

First National Bank — Bankers Trust Company — J. P. Morgan & Co. Incorporated — Guaranty Trust Company of New York — Chemical Bank & Trust Company — Bank of the Manhattan Company — Lehman Brothers

Smith, Barney & Co. — Harriman Ripley & Co. Incorporated — The First Boston Corporation — Halsey, Stuart & Co. Inc. — Blyth & Co., Inc. — Lazard Frères & Co. — C. J. Devine & Co. — Phelps, Fenn & Co.

The Marine Trust Company of Western New York — Manufacturers Trust Company — The Northern Trust Company — The First National Bank of Chicago — Harris Trust and Savings Bank — Continental Illinois National Bank & Trust Company of Chicago

Hallgarten & Co. — Kidder, Peabody & Co. — Ladenburg, Thalmann & Co. — Glore, Forgan & Co. — R. W. Pressprich & Co. — Salomon Bros. & Hutzler

Barr Brothers & Co. — Blair, Rollins & Co. Incorporated — The First National Bank of Portland, Oregon — The Philadelphia National Bank — Bear, Stearns & Co. — Drexel & Co. — Eastman, Dillon & Co. — Equitable Securities Corporation

Estabrook & Co. — Hemphill, Noyes & Co. — Kean, Taylor & Co. — Manufacturers and Traders Trust Company Buffalo — Mercantile Trust Company St. Louis

Paine, Webber, Jackson & Curtis — Stone & Webster Securities Corporation — Union Securities Corporation — White, Weld & Co. — A. C. Allyn and Company Incorporated — F. S. Moseley & Co.

B. J. Van Ingen & Co. Inc. — Geo. B. Gibbons & Company Incorporated — Hornblower & Weeks — Lee Higginson Corporation — Reynolds & Co. — L. F. Rothschild & Co.

Schoellkopf, Hutton & Pomeroy, Inc. — Wood, Struthers & Co. — Adams, McEntee & Co., Inc. — Bache & Co. — A. G. Becker & Co. Incorporated — The Boatmen's National Bank St. Louis — Braun, Bosworth & Co. Incorporated

Coffin & Burr Incorporated — Dominick & Dominick — First of Michigan Corporation — Ira Haupt & Co. — Hirsch & Co. — Laidlaw & Co. — Laurence M. Marks & Co. — Wm. E. Pollock & Co., Inc.

Roosevelt & Cross Incorporated — Chas. E. Weigold & Co. Incorporated — Robert Winthrop & Co. — Alex. Brown & Sons — Dick & Merle-Smith — R. S. Dickson & Company Incorporated — Fidelity Union Trust Company Newark

Harris, Hall & Company (Incorporated) — Hayden, Stone & Co. — W. E. Hutton & Co. — Aubrey G. Lanston & Co. Incorporated — Carl M. Loeb, Rhoades & Co. — W. H. Morton & Co. Incorporated — The National Commercial Bank & Trust Company of Albany

Shearson, Hammill & Co. — F. S. Smithers & Co. — State Bank of Albany — Stroud & Company Incorporated — Swiss American Corporation — American Securities Corporation — Bacon, Stevenson & Co. — Eldredge & Co. Incorporated

Hannahs, Ballin & Lee — R. H. Moulton & Company — National State Bank Newark — The Public National Bank and Trust Company of New York — Schwabacher & Co. — Trust Company of Georgia — Tucker, Anthony & Co.

G. H. Walker & Co. — Weeden & Co. Incorporated — William Blair & Company — Julien Collins & Company — Paul H. Davis & Co. — R. L. Day & Co. — Francis I. duPont & Co. — Green, Ellis & Anderson

New York, September 16, 1953

New Phenol Process Opens Rich Chemical and Petroleum Field

Joseph R. Nixon, Jr., and Herman I. Enos, Jr., of Hercules Powder Company reveal method of efficiently converting benzine to phenols and acetone, basic materials used in chemical, rubber and textile manufacture.

A new highway to the production of the versatile, widely used chemicals phenol and acetone has opened rich economic territory for chemical manufacturers and the petroleum industry, it was revealed to the American Chemical Society's 124th national meeting at Chicago by Joseph R. Nixon, Jr. and Herman I. Enos, Jr. of the Hercules Powder Company, Wilmington, Del.

In a report to the society's Division of Petroleum Chemistry, Mr. Nixon on Sept. 10 described the new process, in which benzene—a petroleum product—is efficiently converted to phenols for use in the manufacture of dyes, pharmaceuticals, agricultural chemicals, photographic chemicals, lubricating oil additives, emulsifiers, and cleansing agents.

A co-product of the process is acetone, which is in large demand by manufacturers of rayon, varnishes and paints, plastics and dyes, Mr. Nixon said.

And there is considerable economic value in certain intermediate by-products of the process — chemicals of the hydroperoxide class, which are vital to the synthetic rubber industry and can also be converted to useful alcohols, the chemists were told.

The new procedure, the authors state, is particularly promising because it eliminates the need for large quantities of chlorine and sulfuric acid consumed annually by present methods of phenol production, Mr. Nixon reported.

"In addition, a lower corrosion rate on equipment, a lower investment cost, and lower processing costs are indicated," he asserted. "Finally, the simplicity and versatility of the process steps, by which other phenols may be produced, add to the attractiveness of this general process."

The new process uses benzene, one of the chemist's most valuable building blocks, as the starting material. Benzene is produced from petroleum, coal tar or illuminating gas.

In the Hercules process, benzene is treated with air and propylene, a colorless gas, to form a chemical called cumene hydroperoxide. This chemical is then split, or "cleaved," under controlled conditions to yield phenol and acetone.

Other methods now being used for the manufacture of phenol also use derivatives of benzene, Mr. Nixon explained, but these derivatives, which contain either chlorine or sulfur, are somewhat inefficient.

"The vast quantities of chlorine and sulfuric acid consumed annually in these processes form by-products of limited value," he said. "With the expansion of the phenol industry in the United States, methods of simplifying these current processes and reducing the costs have been sought.

"One of the goals in this effort has been a method for the direct oxidation, addition of oxygen) of benzene to form phenol. Unfortunately, no way of controlling the extensive side reactions during benzene oxidation has been found and no practical means of accomplishing this ideal has been discovered."

As an alternative, the Hercules method, known as an "oxidation-cleavage" process, represents "a very significant development," Mr. Nixon reported.

"It offers a highly satisfactory solution to the problem of eliminating wasteful intermediates in the conversion of benzene to phenol, and provides a means of avoiding the difficulties inherent in the direct oxidation of benzene. Furthermore, its commercial realization comes at a time when the demand for phenol is rapidly expanding.

"This oxidation-cleavage process was developed independently by the Hercules Powder Company in the United States and by The Distillers Company, Ltd., in England. Hercules has acquired the United States patents and patent applications of The Distillers Company pertinent to this process.

"The first tank car of phenol was produced by this process in 1949 in a pilot plant at Brunswick, Ga. The quantities of phenol thus made available permitted its evaluation in many phenol applications in commercial scale equipment. These evaluations conducted by phenol consumers proved it to be a thoroughly competitive product.

"The first plant to manufacture phenol by this process was dedicated formally on May 27, 1953, in Montreal East, Quebec. This plant is owned and being operated by B. A.-Shawinigan, Ltd., under license from Hercules and from The Distillers Company, Ltd. Several other plants which will use this process are under construction in the United States and abroad."

Lanahan Partner in Stein Bros. & Boyce

BALTIMORE, Md.—W. Wallace Lanahan, Jr. has been admitted as a general partner in the firm of Stein Bros. & Boyce, 6 South Calvert Street, following approval of the Board of Governors of the New York Stock Exchange at a meeting held Thursday afternoon, September 10.

W. W. Lanahan, Jr.

Mr. Lanahan's father conducted an investment banking business in Baltimore from 1914 to 1942 and was a member of the New York Stock Exchange.

Mr. Lanahan, Jr. graduated from Princeton University in 1940. During the war he served in the armed forces as a paratrooper, seeing action in the Mediterranean and European theaters of operation. He was discharged as a Captain.

He worked for five years in Chile and Brazil with W. R. Grace & Co. and in the Foreign Service of the United States State Department. Directly prior to joining Stein Bros. & Boyce he was associated with the Baltimore office of Merrill Lynch, Pierce, Fenner & Beane.

Cooney Forms Own Firm

Herbert J. Cooney has formed H. J. Cooney & Co. with offices at 50 Broad Street, New York City. Mr. Cooney was formerly sales manager for J. B. Duffy Co. and prior thereto was with T. L. Watson & Co. and W. E. Hutton & Co. In the past he conducted his own investment business in New York

Morgan Stanley Group Offers Stauffer Chem. Co. Stock and Debs.

Public offerings of 325,000 shares of \$10 par value common stock and \$15,000,000 20-year 3⅞% debentures of Stauffer Chemical Co. were made yesterday (Sept. 16) by Morgan Stanley & Co. and associated underwriters. The stock is priced at \$25 per share and the debentures, due Sept. 15, 1973, at 100% plus accrued interest.

The offerings mark the first public financing in the company's history. Originally established as a partnership in 1885, the company is a leading producer of basic heavy chemicals and agricultural chemicals. It is one of the largest domestic producers of certain products such as carbon disulphide, carbon tetrachloride, benzene hexachloride and ground and processed sulphurs. The company and its subsidiaries operate plants in 21 states throughout the country.

Proceeds from the sale of 310,000 shares of the common stock and from the debentures will be used to finance its construction program and to repay \$14,400,000 of bank loans created for this purpose. The proceeds from the sale of the remaining 15,000 shares of common will be received by two selling stockholders.

Since World War II the company and its subsidiaries have been engaged in an expansion program involving construction and acquisition of new facilities for old and new products, improvement of existing plants and new research facilities. During this period the program has added approximately \$41,700,000 to property, plant and equipment.

During the current year the company expects to complete a petro-chemical plant at Louisville, Ky., a phospho-ammonium fertilizer plant at Tacoma, Washington, a fungicide plant at Perry, Ohio and an expansion of sulphuric acid facilities at Los Angeles, California at a total cost of \$6,500,000. In 1954 and 1955 the program contemplates the construction of new facilities for the production of additional petrochemicals, sulphuric acid, rubber vulcanizing agents, citric acid, insecticides and fungicides which it is presently estimated will cost \$9,000,000. The company owns 37% of the stock of Consolidated Chemical Industries, Inc. which is a leading producer of sulphuric acid and also 50% of the outstanding stock in each of six active chemical manufacturers—Cornwall Chemicals Ltd., Montrose Chemical Corp. of Calif., New York-Ohio Chemical Corp., Old Hickory Chemical Co., Philadelphia Quartz Co. of Calif. and Western Phosphates, Inc., and lesser interests in certain other chemical companies.

For the six months ended June 30, 1953 the company's consolidated net sales amounted to \$38,257,262 and consolidated net income was \$2,851,069, equal to \$1.39 per share on 2,025,240 common shares. For the full year 1952 net sales were \$70,184,496 and net income \$4,520,303, or \$2.20 per share on the same number of shares.

The President of the company has stated he will recommend to the board of directors that the company adopt a quarterly dividend policy and that the initial dividend under this policy be 32½ cents a share payable in December, 1953.

With Bailey & Davidson

(Special to THE FINANCIAL CHRONICLE)

FRESNO, Calif. — Thacher Threlkeld has become affiliated with Bailey & Davidson, 2133 Fresno Street.

No Change in Interest Rates Imminent: Nadler

New York economist does not expect any material change in current rates during next 12 months, but sees possibility of narrowing of spread between yields of high grade corporate bonds and government obligations.

In a talk before the Investment Seminar of the New York State Bankers Association in New York City on Sept. 11, Dr. Marcus Nadler, Professor of Finance at the Graduate School of Business Administration, New York University, predicted that interest rates will not materially change during the next 12 months, owing largely to the Reserve authorities adopting an easier credit policy to forestall a decline in business activity.

Marcus Nadler

According to Dr. Nadler:

"Experience of the last few months has demonstrated that so long as the Treasury operates with a large deficit and is confronted with a huge refunding problem, the Reserve authorities cannot adopt an independent policy determined solely by business activity. It also showed that the Treasury cannot aggressively compete with private borrowers for long-term funds, for this merely leads to higher long-term interest rates with no change in preference by institutional investors for bonds with a higher return. So long as corporation taxes are as high as at present, increased money rates cannot effectively deter private borrowing.

"Short-term rates of interest have already passed their peak. The pending economic readjustment and the expiration of the Excess Profits Tax will lead to a moderate decrease in the demand for bank credit. Moreover, the moment business activity begins to decline the Reserve authorities will adopt an easier credit policy, through increased open market purchases of short-term Treasury paper and/or through a further lowering of reserve requirements.

"The outlook for long-term rates will depende largely on the debt management policy of the Treasury. During the next 12 months the supply of corporate bonds and of home mortgages is likely to decrease. On the other hand, the supply of tax-exempt obligations will remain large. Since the volume of maturing Treasury securities is substantial and a serious effort is bound to be made to lengthen their maturities, the supply of medium- and long-term Treasury obligations is bound to increase.

"The supply of funds seeking an outlet in bonds and mortgages will remain very high and will continue to grow. The savings of the nation are becoming more and more institutional and contractual in character. This assures a steady flow of capital to industry, construction and to meet the requirements of the Federal and local governments as well as public authorities.

"Because of the above factors, one cannot expect during the next 12 months any material change in long-term rates of interest. It is, however, quite possible that the spread between the yields of long-term high-grade corporate bonds and those of government obligations will narrow. The rather sharp decline in prices of government bonds on a relatively small volume of trading in the spring has demonstrated that these securities do not possess any greater stability and marketability than high-grade corporate obligations. This experience will contribute to the narrowing of the spread between the two types of securities."

Contraction in Corporate Borrowing Forecast

Dr. Jules I. Bogen of New York University holds private demand for funds will contract as business becomes less active, and this may lead to lower interest rates and reversal of a tight money policy.

Speaking at the Investment Seminar of the New York State Bankers Association in New York City on Sept. 11, Dr. Jules I. Bogen, Professor of Finance at the Graduate School of Business Administration, New York University, stated that the extent and duration of the current recession in business will determine the trend of interest rates over the coming year.

Dr. Jules I. Bogen

"A continuation of the declining trend in business activity which set in last spring and the end of the defense build-up are bound to contract the volume of corporate borrowing," according to Dr. Bogen. "Corporation capital needs will be reduced both by any decline that occurs in plant and equipment expenditures and by the sharply increased depreciation allowances new being made. Any liquidation of currently swollen inventories would also curtail business borrowing.

"New housing starts have dropped below the level of last year. Even a small decline in building activity, added to the mounting amortization receipts of lending institutions on outstanding mortgage loans, will cut down the demand for new mortgage money.

"Expansion of consumer debt, which reached record proportions over the past year, is bound to slow down. As personal debts expand borrowers become more reluctant to add to their obligations. At the same time, lenders become more cautious because of the added credit risk, especially when the economic outlook is clouded.

"While private demands for funds will tend to contract as business becomes less active, the supply of loanable funds should continue to be large. The volume of savings tends to decline only gradually when business turns downward, especially in the initial phase of a recession. The Federal Reserve System has already reversed its tighter money policy so that bank funds are becoming more available. This trend would become more pronounced as a recession persists.

"Treasury financing decisions which were responsible in large part for the sharp decline in bond prices earlier this year, are not likely to prevent a decline in interest rates brought on by a business recession. The Treasury would not then want to neutraliz

an easier money policy pursued by the Federal Reserve System to combat recession and deflation. True, the Treasury would be able to sell long-term bonds when private demands for funds decline, but the volume and timing of such sales would not then be designed to prevent a decline in interest rates. Hence, Treasury financing would tend to moderate, but not to check, a fall in interest rates.

"Similarly, a probable increase in state and municipal borrowing during a recession to finance a larger volume of public works, would slow down, rather than halt, a decline in interest rates."

Bayard Walker Now Partner in D'Assern

Bayard Walker has become a general partner in the New York Stock Exchange firm of D'Assern & Co., 20 Pine Street, New York City. Heretofore he was associated with Kuhn, Loeb & Co. in its Investment Advisory and New Business Department.

Bayard Walker

Mr. Walker, son of the late Elisha Walker, senior partner of Kuhn, Loeb & Co., is a trustee of Southwest Research Institute and the Institute of Inventive Research. A graduate of Yale University in 1938, he was in the U. S. Naval Reserve from 1939 to 1945.

H. B. Baker, Dir.

Hugh Benton Baker, senior partner of Baker, Weeks & Co., has been elected a member of the Board of Directors of American Cable & Radio Corporation, it was announced by General William H. Harrison, Chairman. AC&R is an associate of International Telephone & Telegraph Corp.

Mr. Baker fills the vacancy created by the death of Mr. George Weeks, his former partner in Baker, Weeks & Co., and for many years a director of AC&R.

In addition to his executive duties with Baker, Weeks & Co., Mr. Baker is a director of the West Kentucky Coal Co., Bendix Aviation Corp., C. I. T. Financial Corp., Nickel Plate Railroad and Overseas Securities Co., Inc.

With Central Republic

(Special to The Financial Chronicle)

OMAHA, Neb.—Mary D. Abrams has joined the staff of Central Republic Company, Farnam Building.

Crichton Mutual Fund Co.

CHARLES, W. Va. — The Crichton Mutual Fund Investment Company has been formed with offices in the Payne Building. Mr. Crichton was formerly with Jones, Kreeger and Hewitt of Washington, D. C.

With Kalman & Co.

(Special to The Financial Chronicle)

ST. PAUL, Minn. — Allan S. Brown has been added to the staff of Kalman & Co., Inc., Endicott Building, members of the Midwest Stock Exchange.

Dunne & Co. Adds

Seymour R. Oppenheim has become associated with Dunne & Co., 25 Broad Street, New York City, members of the New York Security Dealers Association, as account executive.

Investment Group Offers Tenn. Gas Trans. Pfd. Shares

A nation-wide underwriting group headed by Stone & Webster Securities Corp., and White, Weld & Co. on Sept. 15 made public offering of 100,000 shares of 5.85% cumulative preferred stock of Tennessee Gas Transmission Co. at par ($100 per share) plus accrued dividends from July 1, 1953 to date of delivery.

Proceeds to the company from the sale of the preferred stock, and $20,000,000 of debentures also offered on Sept. 15 will be applied to the payment of a portion of the company's outstanding short-term notes which are held by The Chase National Bank of the City of New York and four other banks. The proceeds from such notes were used in the company's expansion program.

Tennessee Gas Transmission Co. owns and operates a pipe line system for the transportation and sale of natural gas for resale. The system begins in the Rio Grande Valley of Texas and extends in a north-easterly direction across Texas, Louisiana, Arkansas, Mississipi and Tennessee to a point in Eastern Kentucky where the system divides, one branch extending into West Virginia, to a point near the city of Charleston and the other branch extending across Ohio, Pennsylvania and New York to a point on the New York-Massachusetts state line near Pittsfield, Mass. Daily deliveries during the first six months of 1953 averaged approximately 1,372,000 MCF.

The Federal Power Commission has recently issued an order granting the company a certificate of Public Convenience and Necessity to construct additional facilities extending to the Canadian border at a point near Niagara Falls, N. Y. It is contemplated that gas will be delivered to Niagara Gas Transmission Ltd., owned jointly by Consumers Gas Co. of Toronto, and Tennessee Gas for distribution and sale in the Province of Ontario.

Consolidated operating revenues of Tennessee Gas have increased from around $28,400,000 in 1948 to $122,437,709 for the 12 months ended June 30, 1953. Net income in the same period rose from $6,761,266 to $19,206,728.

Beer Adds to Staff

(Special to The Financial Chronicle)

NEW ORLEANS, La.—Edward S. Alpaugh has been added to the staff of Beer & Company, 233 Carondelet Street, members of the New York and New Orleans Stock Exchanges.

Two With Smith, Clanton

(Special to The Financial Chronicle)

GREENSBORO, N. C. — Helen L. Gibbons and Simon S. Lawrence, Jr. have become associated with Smith, Clanton & Company, Southwestern Building. Mrs. Gibbons was formerly with Merrill Lynch, Pierce, Fenner & Beane.

Continued from page 3

Chemistry in Farming Progress

required for a community of 50,000 people. Think of this in terms of happening each week, and one pictures the terrific requirements which we are forced to meet as our population increases so substantially.

Our continued high standard of living depends upon the ability of the American farmer not only to produce more per acre but with less farm labor force actively engaged in this occupation. Our farm labor force consisted of 11,200,000 people in 1930, 10,400,000 in 1950; and it is estimated that it will drop to 9,600,000 people in 1960.

In might be interesting to discuss here the historical background of agriculture in another great country—China.

According to L. Carrington Goodrich in a short history of the Chinese people, the Chinese were using fertilizer, irrigation, and traction plows as early as 223 B.C. As early as 87 B.C., they were using drought resistant rice, intertillage of early and late crops, and improved crop rotation with beans, fruit and vegetables. They were using strip ditches to reclaim waste land for partial productivity. In this period, the Chinese developed a system whereby commissary officials performed duties similar to those performed by our county agents in this country. Mr. Goodrich further states that in the 13th Century there was large scale cotton culture in China. In fact, in this period the government forced the farmers, through its scientific workers, to include cotton in their rotation. As early as 1509, some of the duties of the public officials, according to a memorandum to the Emperor, were "to show how to cultivate their soil, how to irrigate their fields, to supply natives with seeds, livestock, and agricultural implements, and to persuade more farmers to plant uncultivated fields."

But China stopped here. Her farms have grown smaller and her production per acre and per man hour has not increased. Lack of progress in the agricultural industry is considered by most economists to be the principal cause of China's deplorable condition today. China may well present to us a vivid picture and an excellent example of why our future depends to a great extent on the progress that will be made by the agricultural industry in America during the next decade.

Importance of Scientific Farming

According to a recent article in "Business Week" concerning agriculture, it is pretty well proven that technology has taken over the farming industry. What long-established industry has shown the greatest increase in output per man hour over the past 15 years? Steel manufacturing — electric power—automobile manufacturing? No. Believe it or not —farming! The output per man hour since 1938 has risen faster on farms than in any other long-established industry and three times as fast as in industry generally. During the past 15 years, by use of increasing amounts of nitrogen fertilizers, improved and increased mechanization, the decline of the horse and mule population (which is estimated to have made available 25,000,000 additional acres of land for crop production for human consumption), improved seeds and other scientific innovations, farming has become a highly specialized business.

The horse and buggy days have long since passed. The farmer no longer is self-sufficient—this industry requires a terrific amount of technical know-how and a lot of capital. For example, the present-day price of a two-plow tractor would have financed the entire production cost for three and one-half years on the average farm in 1910. To better explain what is happening on the farm, I am going to quote from an article in the June 6 issue of "Business Week" which, you must admit, is an unusual place to find statistics on the farming industry. They used the case history of Wilbur Goodhue. Although Mr. Goodhue is not an average farmer by any means, he is typical of the modern, progressive, commercial farmer and has counterparts in Arkansas and other major agricultural areas. In 1938, Mr. Goodhue farmed 138 acres, had 250 hogs, 30 beef cattle, a tractor, a half interest in a combine and corn picker. He used a little lime, but no fertilizer. His hay was not baled and he did not use chemical weed killers or pesticides. His water was provided by windmill power and his electricity came from a "Delco" system which ran his radio, washing machine and electric iron plus the electric lights in his house.

Today, Goodhue is farming 700 acres (it is interesting to note here that the average farm in this country has been steadily increasing while in China where people are starving to death the average size of the farm is steadily decreasing; in fact, the average size farm in China is less than three acres). He raises 500 hogs and 135 beef cattle. He now owns five tractors, two corn pickers, one combine, a weed sprayer and a hay chopper. All of his fields are regularly soil-tested and limed. He is using substantial amounts of commercial fertilizers, chemical weed killers and pesticides and has an established rotation system for the entire 700 acres. His electric power comes from a central station which enables him to operate a farm machine shop with a welder, electric drills and other necessary power equipment. His home contains an automatic washer, dryer, dish washer, electric stove, ironer, and television set. Not only has Wilbur Goodhue increased production on his farm like other modern, commercial farmers, but also he produces a wider variety of food, and he is doing all this with fewer workers.

Wilbur Goodhue is a living example of what scientific farming is accomplishing not only for the individual farmers but for the country as a whole.

I am sure that you particularly will be interested to learn that the author of this article selected Arkansas as an example of a state in which an almost complete about face in agricultural practices occurred in the last 10 years. Facts that are obvious to all of you were brought out by "Business Week." They stated that Arkansas once produced cotton, corn and rice almost exclusively. Further, they said over the past seven years, much land has been put to improved pastures and some submarginal land was permitted to go back into timber—that poultry has become such big business that it ranks second only to cotton. Also, Arkansas' farmers are diversifying their many corps. All these innovations are making farming in Arkansas a sounder and a more stable business.

It should be borne in mind that certain fixed costs are the same regardless of potential yield. These total $31.66 per acre as indicated in table I. The costs that increase slightly are seed, picking and interest. However, the fertilizer costs increase $30.59 per acre and the total costs increase $33.76. As a result of increasing production, the profit is up $87.00. This amounts to a $2.50 return for every additional dollar invested in recommended scientific methods for increasing yields. In any business if we are faced with a reduction in sales price, we must seek out a method to reduce unit cost. Will you particularly note that by using additional amounts of fertilizer and better seed, the cost per bushel is reduced from $0.88 to $0.72. The scientific farmer would still make a small profit if corn dropped to as low as $0.80 per bushel, while the less informed farmer would be growing corn at a loss of $0.08 per bushel. If we are entering a period of lower farm prices, isn't it even more important than ever before to take advantage of the most scientific methods available for growing our agricultural products? It has been said "that the individual American farmer operating in the most competitive market in the world" can do little to influence his selling prices but he can produce more agricultural goods from a given area of land at a lower cost per unit. As prices drop, he must!

In this connection reference is made to figures procured through The National Fertilizer Association and the Department of Agriculture, showing the yields that would accrue through the use of recommended amounts of fertilizer. These figures, contained in table II, are based on actual experience in the State of Arkansas as compared with potential results if recommended amounts of fertilizer were used.

You will notice from the table that an increase of 270 pounds per acre in the amount of fertilizer used on oats would increase the yield by 16 bushels. At present prices, the additional fertilizer would cost $6.75, and the additional production would bring the farmer $11.36. If fertilizer used on rice was increased by 90 pounds per acre, the yield would increase 18 bushels per acre which would add $40.15 to the farmer's income at an additional cash outlay of only $2.25 per acre. Hay tonnage, by the use of an additional 168 pounds of fertilizer per acre, would double. The increased production would amount to $27.38 per acre, and the cost of the fertilizer to attain this increase $4.20. By increasing fertilizer consumption by 290 pounds per acre at a cost of $7.20 on his cotton, the production would be increased 40 pounds per acre, which would add $12.60 per acre to the farmer's income from his cotton crop. By using an additional 382 pounds of fertilizer on corn at a cost of $9.55 per acre, production would be doubled, and the additional income would amount to $33.58. On these five crops, the total cost per acre to use recommended amounts of fertilizer amounts to $30.02. The increase in income as a result of increased yield through the application of these additional amounts of fertilizer would equal $125.42. Therefore, the average return on every dollar invested in fertilizer equals $4.18.

If we use a figure that is generally considered to be much too conservative "a $2.00 return for every dollar invested in fertilizer," the farmers in the State of Arkansas could ultimately increase their income from agriculture, at present prices, by $160,000,000 if a high percentage of the farmers in the state used the amount of fertilizer recommended by the College of Agriculture. To accomplish this, the investment of $80,000,000 in fertilizer would be required. Where else can you receive this high a return on an investment for an average term of less than nine months? In addition to the immediate return on the dollar, it has been proven over and over that soil is improved by using recommended amounts of fertilizer. There is no better way to reduce the unit cost on agricultural products than by the use of adequate and recommended amounts of commercial fertilizers.

Fertilizer is also a great labor saving device. By using commercial fertilizer, a farmer can grow more on fewer acres, in turn, he can reduce his fuel bill, work fewer man hours and make more land available for pasture and reforestration.

If I have convinced this group of the most prominent bankers in the State of Arkansas of the truth of the first two points of this discussion: (1) That agriculture is the key to the future progress and growth of this country and (2) That scientific farming in general and the use of fertilizer in particular is the key to increasing production and reducing the unit cost in farming are true, then we are ready for the $64.00 question, which brings us to the last and third basic idea which I would like to sell to this group.

Role of Bankers in Agriculture

I refer to the importance of the Banker in encouraging, educating, and financing the farmers of his State and community. May I be very fundamental in discussing this idea and break it into two simple parts — **"Why"** and **"How."**

(1) Why should the banker take on as his responsibility the educating and encouraging of the farmer? Isn't it true that you are important to your community not only as banker but also because you have assumed positions of leadership in your communities? For this reason, as you lead the people in your community will follow and thus Arkansas will become a more prosperous and happier state in which to live as the agricultural industry properly progresses. As a banker, it is your desire to serve your entire community—what better or more important service can you render than helping to develop an industry as important to our lives as agriculture. Like all businessmen, in order to develop sound customer relations, we must put the interests of our best potential customer first. Who is he—the merchant, the industrialist or the farmer?

We have discussed the importance of the future of agriculture and scientific methods of operating. Now let us develop some financial data since it is my experience that most bankers insist upon sound figures rather than broad theories. We have certainly justified an investment in financing the working capital required of scientific farming from the data that has been made available from county agents, agricultural universities, colleges, state experimental stations, and The National Fertilizer Association. Let us see what this would mean to Arkansas.

Cash receipts from farm marketings during 1952 totaled $619,843,000 in Arkansas according to the U. S. Department of Agriculture. This is greater than combined salaries and wages of all employees in manufacturing establisments and total wages paid employees and proprietors of retail stores in Arkansas. This information is according to the U. S. Department of Commerce statistics. According to these figures income from agriculture exceeds the total dollars paid out in salaries and wages to all employees in manufacturing establishments and retail stores. Do your loans to the farming industry compare favorably with your loans to industry, retail stores, etc.? If they do, you are to be congratulated. If they don't perhaps you might consider taking another look at your loan portfolio.

(2) In using your depositors' money to make loans you must have proper security and you must receive a return that will allow you to make a legitimate profit. It is also your desire to improve your community by making sound services available. $10,000 loaned to a merchant or an industrial firm for a period of six to nine months, if we estimate an average return of 20%, would return to the industrial firm or merchant $2,000 which would, in turn, add to the wealth of the community approximately $2,000.

However, as we have substantially proven earlier in this discussion, $1 spent for fertilizer would provide a return of from $1 to $4 for every dollar so invested. Thus, from $1,000 loaned to a farmer for the purchase of fertilizer, the community will re-

TABLE I

Corn Cost and Dollar Return

	Low Yielding Field 48 Bushels per Acre	High Yielding Field 106 Bushels per Acre	Increases
Ground preparation	$7.97	$7.97	----
Planting	1.44	1.44	----
Cultivate and spray	6.85	6.85	----
Other	15.40	15.40	----
Total fixed costs	$31.C3	$31.66	----
Costs that Varied:			
Seed	$1.50	$2.40	$0.90
Fertilizer	4.25	34.74	30.49
Picking	4.77	5.77	1.00
Interest	0.30	1.67	1.37
Total costs that varied	$10.82	$44.58	$33.76
Total costs	$42.48	$76.24	$33.76
Corn at $1.50 per bushel	72.00	159.00	87.00
Net profit	$29.52	$82.76	$53.24
Cost per bushel	0.88	0.72	—0.16

TABLE II

Fertilizer Use and Crop Yield in Arkansas

	—Actual (Per Acre)— Fertilizer	Yield	Recommended Fertilizer	Potential (Per Acre) Yield Estimated	Increase Fert. Cost		Dollar Value
Oats	230 lbs.	27 bu.	500 lbs.	43 bu.	$6.75	=	$11.36
Rice	60 lbs.	51 bu.	150 lbs.	69 bu.	2.25	=	40.50
Hay	32 lbs.	1.35 tons	200 lbs.	2.7 tons	4.20	=	27.38
Cotton	159 lbs.	313 lbs.	450 lbs.	353 lbs.	7.27	=	12.60
Corn	118 lbs.	23 bu.	500 lbs.	46 bu.	9.55	=	33.58
					$30.02	=	$125.42
					1.00	=	4.18

The actual and potential fertilizer consumption and resulting yield are based on statistics supplied by National Fertilizer Association. Cost of additional fertilizer is based on the average price of 5-10-5 and 5-10-10, or $50.00 per ton. The dollar return is based on prices from USDA Bulletin 6-30-53.

The prices of 6-15-53:	
Oats	$0.71 bu.
Rice	0.068 lb.
Hay	20.80 ton
Cotton	0.315 lb.
Corn	1.46 bu.

ceive additional income of from $1,000 to $4,000. It would appear from this example that a banker making a loan to a progressive farmer may be rendering an equal service with the banker who advances such service to industrialists and merchants.

(3) If farmers of the State of Arkansas would use an additional $80,000,000 worth of fertilizer to attain the usage recommended by county agents and if through the use of this additional amount of fertilizer there would be added $160,000,000 of additional income to your state, isn't it your job to do your best to encourage, educate and finance farmers of your community?

How the Banker Can Help

It is not my intention to suggest a program that could be adopted by each bank and banker; rather, I outline here a few ideas that have been used successfully throughout the country.

(1) Employ full or part-time agricultural representatives. It is my understanding that many of the bankers in Arkansas are already employing full or part-time agricultural representatives, and that many others have assigned someone within their organization to spend part of his time on agricultural work. These representatives work intimately with farmer customers in thorough discussion of farming problems, plans, and programs.

(2) Publicize through local advertising and publicity channels your interest in assisting the farmer in his requirements for working capital. We all know the real basis of a bank loan is the earning ability of the borrower, along with the three "C's" of sound credit: Capital, character, and capacity. By encouraging bank customers to increase their capacity by proper fertilizer loans, you are performing an economic service to the entire community.

(3) Maintain a literature rack in your bank in which governmental publications, as well as private industrial publications are made available to farmer customers.

(4) Encourage farmers to have soils tested.

(5) Cooperate with county agent or the county extension director in providing information, distributing pamphlets, establishing fertilizer demonstration plots, and holding meetings.

(6) Urge farmers who are not convinced of the value of fertilizers to try fertilizers on a test plot basis, leaving an untreated strip in fields to observe the different results.

(7) Urge farmers to attend field days, experimental and demonstration farms.

Fertilizer in Combination with Modern Methods

Fertilizer use is, of course, only one part of a good soil management and conservation program. It must be kept in mind that maximum benefit from fertilizer comes when they are used in combination with other needed practices, such as liming, crop rotation, improved crop varieties, contouring, and other needed erosion control practices. It is fully realized that it is impossible to persuade every farmer to use the maximum in scientific methods and recommended amounts of fertilizer, however, as each banker is able to persuade more of the farmers in his community to follow modern methods, so then will his community procure its proportionate part of this additional income which can add so substantially, not only to the income and welfare of the individual farmer customers, but also to the prosperity of your community and your entire state.

Your own Mr. W. W. Campbell has become a national figure in emphasing the bankers' place in the agricultural industry. A quotation from his letter to Dr. Russell Coleman, President of the National Fertilizer Association, seems appropriate:

"In my home state of Arkansas, and throughout America, bankers are realizing that high yields per acre, efficiently produced, are essential to the individual farmers' economic well being. High yields, accompanied by low unit production costs, increase the farmer's net profit, even in the face of moderately higher production expenditures."

It is obvious that the problems that we have discussed will present themselves over a period of the next ten years and so will the solutions. However, if each of you start on a program as soon as you return home to do your part in your community, then certainly the State of Arkansas will continue to prosper and to maintain its position as one of the leading agricultural states. Remember that there will be periods of overproduction during the next ten years just as there have in the past 20. Even so, we must keep our eyes on the ultimate problem which involves increasing our food production by as much in the next ten years as we have in the past 20. With your support the farmers of Arkansas can and will do their part.

George Searight Grandpa

George A. Searight, 50 Broadway, New York City, is now a proud grandparent.

Halsey, Stuart Group Offer Pipe Line Debs.

A syndicate headed by Halsey, Stuart & Co. Inc. offered on Sept. 15 $20,000,000 of Tennessee Gas Transmission Co. 5% debentures due Sept. 1, 1973, at 101.90% and accrued interest, to yield 4.85%. Award of the issue was won by the group at competitive sale on Monday on its bid of 100.55%.

Tennessee Gas Transmission Co. owns and operates a pipe line system for the transportation and sale or delivery of natural gas for resale. Beginning in the Rio Grande Valley of Texas, the pipeline extends in a northeasterly direction across Texas, Louisiana, Arkansas, Mississippi and Tennessee to a point in eastern Kentucky where the system divides, one branch extending into West Virginia to a point near the City of Charleston, and the other branch extending across Ohio, Pennsylvania and New York to a point on the new York - Massachusetts state line near Pittsfield, Mass. At June 30, 1953, the company had in operation a total of 6,424 miles of pipe line.

Total operating revenues of the company for the year ended June 30, 1953 were $122,437,709; gross income was $30,466,543 and net income was $19.206.728.

A. J. Velardo Opens

ONEONTA, N. Y.—Alfred J. Velardo is engaging in a securities business here.

International Monetary Fund Envisages Convertibility

Bretton Woods institution, in Annual Report, discloses it will consider lending its financial support to convertibility moves. Urges interim freeing of commodity markets and removing restrictions on foreign exchange trading. Asserts solutions of dollar problem cannot occur without control of inflation via firmer budgetary, fiscal, and wage policies. Explains new standby facilities.

WASHINGTON, D. C., September 10—The International Monetary Fund, in its Eighth Annual Report submitted here today during its concurrent meeting with the International Bank for Reconstruction and Development, revealed that it is ready to consider proposals for enlisting its financial support for bringing about convertibility.

The Fund said it was "a most encouraging development" that many countries were seeking convertibility with renewed determination. Their efforts would require continued emphasis on domestic financial and economic stability, and on increased dollar earnings, reduction and elimination of exchange restrictions, and measures to encourage the restoration of international capital markets. All these elements are present in plans under current international discussion, the Fund said.

The Fund told its 54-nation Board of Governors that substantial progress had been made during the year toward a general payments balance. But the Fund maintained that "the world cannot rest content with its present position," and it welcomed the growing interest in possibilities for freer trade reflected in meetings of the British Commonwealth, and several international organizations.

"The Fund has an active interest in these discussions, and is prepared to consider what part it can effectively play in the furtherance of their objectives," the report said. "The unused gold and convertible currency resources of the Fund are still substantial, and it is reasonable to expect occasions for their use under appropriate conditions will occur more frequently in the future than during the last two or three years."

"One is that these determined efforts to achieve convertibility deserve the utmost encouragement, as important steps toward the achievement of the objectives of the Fund. Moreover, the Fund considers it urgent and essential to take full advantage of the progress toward payments balance which has been outlined in this report.

"The second point is that the uncertainty of decisive steps does not mean that countries cannot in the meantime take less far-reaching measures which have immediate value. These include such measures as freeing commodity markets from restrictions and restoring the machinery of foreign exchange trading, and granting some degree of freedom for the operation of this machinery."

Financial Operating Report

The Fund's report, covering a fiscal year ended April 30, 1953, listed total assets of $8,729,000,000. Gold holdings increased during the year from $1,531,600,000 to $1,692,600,000 as the result of payments on subscriptions, repurchases and service and interest charges. Currency holdings amounted to the equivalent of $5,978,500,000 of which $1,338,100,000 was in U. S. dollars. Of the other Fund holdings of convertible currency, the largest was in Canadian dollars, equivalent to U. S. $225,000,000. The Fund's assets included $1,049,200,000 in currency balances not yet due from members whose par values had not been established.

The report began by noting that, despite a downward trend in world trade early in 1952, the world payments position for the year as a whole showed a much better balance than in 1951. Progress toward a better balance had been perceptible prior to the outbreak of hostilities in Korea, but appeared to be threatened by subsequent events, when many countries again found themselves in serious disequilibrium.

"In the latter part of 1952, however, there was a significant recovery, and by the beginning of 1953 many countries had again achieved balance, or at least had substantially reduced their deficits. While some countries still had considerable deficits in their balances of payments, these were to a large extent the result of special factors—sometimes defects of policy—affecting individual countries."

Payments Crisis Affected Raw Material Countries

The widespread payments crisis at the beginning of 1952 affected particularly the raw material exporting countries. Most of these countries had benefited greatly from the raw material boom that followed the beginning of the Korean War. Increased export earnings meant increased foreign exchange reserves and higher levels of money income. This caused further expansion of their demand for imports of consumers' goods, and gave opportunities to press forward with ambitious investment programs.

But imports continued to expand after the raw material boom had subsided, export proceeds began to decline, and the consequences of a very rapid depletion of reserves had to be faced. The main response to this situation was the imposition of more stringent import restrictions.

Measures taken to correct the widespread payments imbalances and the reduction of excessive inventories led to a sharp contraction in the value of world trade in 1952. By the third quarter, the value of world imports was some 10% less than a year before. The fall was greatest in the sterling area, but it was also sharp in Western Europe. The United States, where for the most part inventory adjustments had been made earlier, did not contribute markedly to the decline in imports. The abrupt decline in exports during the first three quarters of 1952 was heavily concentrated upon the industrial countries of Western Europe, the United Kingdom and the United States.

The value of trade rose more than seasonally, however, in the last quarter of 1952. Imports of raw material producing regions continued to fall in that quarter, but this movement was tapering off as the adjustments which these regions were making to their changed terms of trade neared completion. In the first quarter of 1953 there were some declines in exports, particularly from Western Europe, but the greater part of the distortions initiated by the outbreak of hostilities in Korea had been eliminated.

Points to U. S.

The report pointed to the balance of payments of the United States as the most significant statistical evidence of the improvement in the world payments position in 1952. Excluding military aid shipments, the U. S. surplus with all countries on account of goods and services and U. S. private donations and capital movements in 1952 was about half of what it had been in 1951. In the second half of 1952, the U. S. surplus on these items had disappeared.

Gold and dollar holdings of other countries began to increase in the second quarter of 1952, and the rise continued during the remainder of the year. For the last three quarters, the increase amounted to nearly $1.5 billion. The contrast with the earlier downtrend was greatest for the sterling area. Sterling area holdings had amounted to $5.1 billion at the end of June, 1951. They reached a low of $3.1 billion in June, 1952, but by March, 1953 they had risen to $3.6 billion. The holdings of continental members of O.E.E.C., which in 1951 had increased by nearly $300 million, in 1952 rose further, by $1.3 billion, and by the end of March, 1953 they were $8.6 billion.

The report added that "the approximate balance achieved at the end of 1952, however important as a stage in the adaptation of the world economy to postwar conditions, cannot be taken as indicating there is no need for further concern about the problem of the balance of payments of the rest of the world with the United States. Some of the elements that have helped to establish this balance are more or less temporary. Thought has to be given to further measures which, in a more fundamental way, will finally eliminate the dollar problem."

Dependence on American Business

Solutions of the residual dollar problem, the report said, would hinge on a continued high level of business activity in the U. S., and effective control of inflation. ("There are some countries of major importance for world trade where the control of inflation is still an urgent immediate task.... Stability will not be assured unless monetary measures are backed by firmer budgetary, fiscal, and wage policies than have been possible so far in some countries, and which would ensure that the investments of governments and government agencies are kept in proper relation to the resources available.")

However, for further advances from the present position, attention has to be directed increasingly to measures which would more directly facilitate the expansion of dollar earnings by the countries which maintain discriminatory restrictions. Regarding the influence of U. S. import policies, the report said in part: "If there were substantial modifications in U. S. commercial policy — such as tariff reductions, the simplification of tariff classifications and customs procedures, liberalization of agricultural quotas and of shipping policy, and repeal of 'Buy American' legislation—the payments position of the non-dollar world would be substantially strengthened, and the prospects for reducing or eventually eliminating restrictions on imports from the United States would be greatly improved."

The report referred to the creation of a commission, at the request of the President of the United States, to study U. S. foreign economic policy, and said: "There can be little doubt that the outcome of this re-examination will considerably influence the pace of further movement toward the establishment of a freely operating multilateral system of payments."

Dollar Earnings from Non-U. S. Countries

Possibilities for dollar earnings from countries other than the United States were cited. The Fund noted that the United States is currently buying more than half its imports in Canada and the Latin American Republics — an amount which in dollar terms is six times, and in real terms about three times its prewar imports from these countries.

Detains Foreign Exchange Purposes

The Fund reported foreign exchange purchases by five members—Australia, Brazil, Finland, Paraguay and Turkey — during the fiscal year ended April 30, 1953. These purchases amounted in all to $66,000,000. Repurchases made by seven members during the period amounted to $185,000,000. Additional transactions reported since the end of the fiscal year have included purchases by Bolivia, Brazil, Chile, Finland, Japan and Turkey. With these purchases, total transactions now stand at $988,400,000. Additional repurchases have been made by Brazil, Finland and Syria, bringing total repurchases to $286,600,000.

The procedure for standby arrangements, agreed by the Executive Board in a decision of Oct. 1, 1952, is fully described in the report. Each standby account will be set up in the first instance for a period of not more than six months, but, if the Fund approves, may be renewed at the member's request at the end of that period. The Fund said it was also willing to examine standby requests for longer periods. A charge of one-quarter of one percent per annum has been fixed, payable at the time a standby arrangement is authorized. This is in addition to the usual service charge of one-half of one percent payable in the event of an actual purchase of currency from the Fund.

"The purpose of this decision," the report said, "was to create a mechanism that would make it easier for a member, for a given period of time, to be able to rely on the Fund's resources to meet a current account deficit in its balance of payment. This arrangement was intended to remove the doubts that have led some members to the view that in formulating their policies they could not rely on Fund assistance. Standby arrangements should thus serve as an instrument for the advancement of the Fund's purposes. By giving an assurance that the Fund would help to meet any threatening drain upon reserves, the facilities provided by these arrangements should enable members to refrain from resorting to more restrictive measures."

The report also reviewed developments in the field of foreign exchange policy, and summarized the decisions taken by the Fund on various proposals made by members for changes in their foreign exchange systems during the 1952-53 fiscal year. During the fiscal year, members of the staff had consulted with the officials and technicians of many member countries on both technical and policy problems. In several cases, this led to a major forward step in the development of orderly exchange arrangements.

Opens Office

JERSEY CITY, N. J. — Wanda O. Olds has opened offices at 41 Bright Street to engage in a securities business.

P. S. Roth Opens

BRONX, N. Y.—Paul S. Roth is engaging in a securities business from offices at 227 East 178th St.

Stanton & Wilson Open

HARDIN, Mont. — Harold G. Stanton and Robert H. Wilson have formed a partnership to be known as Stanton & Wilson, to conduct a securities business.

McKenna Scores Excess Profits Tax

Industrialist says levy "cuts muscles of best pulling horse."

"The effect of the Excess Profit
Tax has been to 'cut the muscle
of the horse that has done the bes
pulling.'" So stated Philip M
McKenna, President of Kennametal Inc., at the annual meeting of stockholders of that company held this week. Mr. McKenna pointed out that the present tax structure embodying high rates, and particularly the double taxa-

Philip M. McKenn

tion imposed on corporate income
retards the development of bene
ficial products, such as Kenna
metal which improves output pe
man in machine shops, mines an
industry generally, besides pro
viding more effective means o
protecting our country.

Mr. McKenna advocates that th
Federal government cease furthe
impairment of individual freedo
resulting from high tax exaction
and that Congress restore soun
money redeemable in gold coin o
demand. The latter action woul
put a stop to the insidious proc
esses of taxation on imaginar
bookkeeping profits created b
monetary and credit inflation.
would revive sound practices i
industry and let America go fo
ward again.

First Boston Group Offers Westinghouse Air Brake Debentures

Public offering of $35,000,00
Westinghouse Air Brake Co. 3⅞
sinking fund debentures, due 197
was made yesterday (Septembe
16) by a banking group headed b
The First Boston Corp. Th
debentures are priced at 99.50 an
accrued interest.

A sinking fund calculated
retire 72% of the issue at par b
maturity will operate commenc
ing in 1957. Optional call pric
range from 103.375 during the
months ending Aug. 31. 1954
100 after Aug. 31, 1976.

The company will use the pro
ceeds from the sale, together wit
cash on hand to retire bank loan
aggregating $35,000,000 of two
its subsidiaries, LeRoi Co. an
LeTourneau-Westinghouse Co.

Prior to 1951, Westinghouse A
Brake was engaged chiefly in th
manufacture of equipment fo
railroads, rapid transit system
and other on-rail facilitie
Through acquisition of four bus
nesses since 1951, the company ha
broadened its activities to includ
the production of internal com
bustion engines, portable air com
pressors, pneumatic tools. earth
moving equipment and portab
drilling rigs and has also acquire
a research and development o
ganization primarily concerne
with military work which is
the process of becoming the ce
tral research organization for a
phases of the company's other o
erations. The company also hol
substantial interests in sever
other companies in the Unit
States and Canada.

For the six months ended Ju
30, 1953, consolidated net sal
totaled $69,306,000 and net i
come was $4,917,000.

Natural Gas Substitutes Developed

Chemists at the Chicago Institute of Gas Technology describe new method of converting gasoline and two other petroleum products into natural gas substitutes.

Winter shortages of heating gas may be alleviated through a new method of converting natural gasoline and two other petroleum products into natural gas substitutes it was revealed to the American Chemical Society at its 124th national meeting in Chicago on Sept. 8.

Already in the pilot-plant stage, the gas-making system was worked out by Henry R. Linden, C. E. Brooks and L. N. Miller of the Institute of Gas Technology, affiliated with the Illinois Institute of Technology, Chicago. Dr. Linden is Assistant Research Director of the gas institute.

Besides producing the natural gas substitutes, the process yields "substantial" amounts of valuable by-product chemicals — benzene, toluene, xylene and styrene—the chemists reported in a paper presented before the ACS Division of Gas and Fuel Chemistry in the Hotel Congress.

Propane and butane, by-products of petroleum refining and natural gas production, can be used, along with natural gas, as starting materials for the process, the paper said.

"According to U. S. Bureau of Mines data and estimates, 22% of the total energy consumed in the United States in 1952 was furnished by natural gas as compared to 14% in 1946," it was stated. "Production of natural gas has increased from 4.94 trillion cubic feet in 1946 to 8.64 trillion cubic feet in 1952. Much of the increased demand for natural gas has been due to the wider use of gas for house-heating as a result of the relatively low cost of this premium fuel. This has further accentuated the problems of supplying peak-loads, since the demand for gas on the coldest days of winter can easily reach several times the average daily sendout, while long-distance transmission lines can be built economically only to handle a steady high load. Simple economic considerations show that it is advantageous to meet peak gas demands, above a level set by local conditions, through other means than purchase of pipe-line gas.

"In some favored areas there are depleted gas wells into which gas from the transmission lines may be pumped during periods of low demand. Gas is then withdrawn from these repressured wells in winter to meet the peak load demand. More often, natural underground storage facilities are not available, and either artificial high-pressure storage or some method of producing a natural gas substitute must be relied on to meet the peak loads. One of the most widely used methods for producing peak-load gas is mixing of propane or butane with air to the desired heating value. Although these natural gas liquids must be stored in high-pressure tanks, plant investment other than for storage facilities is low.

"However, the availability of propane and butane is limited during the winter months and in many distribution systems propane-air or butane-air cannot be completely substituted for natural gas because of unsatisfactory burner performance. Further, to obtain best performance the actual heating value of the substitute mixture must also be substantially higher than that of the natural gas, resulting in a considerable loss in revenue if the gas is sold on a volume basis."

The new process takes place in 2½-inch heated tubes at between 1,300 and 1,500 degrees Fahrenheit, at a pressure of one to three times that of the atmosphere. The time required to convert the fuel to gas is no longer than 11 seconds.

What happens is that the heavier gasoline molecules are "cracked," or broken down, into light, simpler gas molecules which then are gaseous in form and can be piped into a natural gas system. According to the report, the East Ohio Gas Company is sponsoring a pilot plant operation of the system with an eye toward utilizing the by-products as well as the natural gas substitutes.

Other methods for producing gas substitutes, using fuel oil as a starting material, are not economical because 35% of the oil may be converted into waste products, the Society was told.

Life Companies Common Stock Investments

Institute of Life Insurance notes these institutions have not taken much advantage of the liberalization of the New York laws. British companies have doubled holdings of equity shares since war's end.

While the purchases of common stocks by U. S. life insurance companies since the first of this year have been running about one-sixth larger than a year ago, they are still less than half of the total bought in the corresponding period of 1950, the year before New York laws were modified permitting limited investment in such securities by the life companies doing business in that state.

Common stock purchases by the life companies were $59,000,000 in the first seven months of this year, according to the Institute of Life Insurance. This compares with $50,000,000 in the corresponding period of 1952; $91,000,000 the year before that, and $132,000,000 in the first seven months of 1950. These figures indicate that the life companies have not taken such advantage of the liberalization in the New York laws.

Because of the high retention rate on common stocks during this period, the life insurance companies' holdings of such shares have increased by $178,000,000 since March, 1951, when the law was modified. On Aug. 1 of this year, such holdings were $743,000,000, compared with $671,000,000 a year ago.

In the eight years since the end of World War II, the U. S. life companies have increased their stock holdings, both common and preferred, by about $1,500,000,000 and the $2,270,000,000 so invested has increased from 2% of assets to the present 3%.

An increase in stock holdings has also been reported by the life insurance companies in the United Kingdom. The British offices, always heavy investors in equity shares, had nearly 20% of their assets in corporate shares at the start of this year, compared with about 16% in 1945. In aggregate pounds, the British company holdings have nearly doubled since the end of the war.

In Canada, the increase in stock holdings has not been as great. The Canadian companies had 5.7% of their assets in stocks at the start of this year, compared to 6% in 1945, while the dollar investment in stocks was up nearly 50%.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

C. George Dandrow, Vice-President of **Johns-Manville Sales Corporation and General Sales Manager of the company's Industrial Products Division, has been appointed** a member of the Advisory Board of the 57th Street Office of **Manufacturers Trust Company, New York,** Fifth Avenue at 57th Street, it was announced by Horace C. Flanigan, President of the Trust Company.

* * *

The Board of Trustees of **The Bowery Savings Bank, New York** on Sept. 14 elected Morris D. Crawford, Jr., Vice-President and office counsel. Mr. Crawford has been in the employ of the legal firm of Cadwalader, Wickersham & Taft since 1940, where he specialized in general corporate practice. He is a member of the Association of the Bar of the City of New York.

* * *

Mr. John W. Hooper, President of the **Lincoln Savings Bank, Brooklyn, N. Y.,** announces the election of Michael J. Burke as a Trustee of the bank.

Since 1926, Mr. Burke has been continuously associated with financial institutions engaged in the mortgage business in the New York area. He joined the Lincoln in 1949 as Vice-President and mortgage officer. Immediately prior thereto, he was a Vice-President of the Manufacturers Trust Company, in charge of its Real Estate and Mortgage department.

At present, he is a member of the Committee on Mortgages and Real Estate of the Savings Banks Association of the State of New York and a member of the Mortgage and Real Estate Committee of the New York Real Estate Board.

* * *

Election of Fred J. Driscoll as a trustee of the **Greater New York Savings Bank, Brooklyn, N. Y.,** was announced on Sept. 10 by Bernard F. Hogan, President.

* * *

The First National Bank of Toms River, N. J., increased its common capital stock on Sept. 1, from $725,000 to $750,000 by a stock dividend.

* * *

The Provident Trust Company, Phila, Pa. took action to expand on September 15 when stockholders of the bank, at a special meeting, approved a proposal to establish a new branch office in North Philadelphia. This proposal is still subject to approval by Federal and state regulatory bodies.

The new branch, to be located at 3701 N. Broad Street, will serve the Germantown-Tioga-Logan-Olney areas as well as the surrounding industrialized sections. The site of the new branch office, on the street floor of the 14-story Beury Building, was originally designed for a bank and is equipped with modern safe deposit vaults.

* * *

Three prominent Roanoke, Va., businessmen have been elected members of the advisory board of directors of **The Bank of Virginia in Roanoke, Va.,** it was announced on Sept. 14 by Thomas C. Boushall, President of the bank.

They are John R. Howard, Manager of Pittsburgh Plate Glass Company in Roanoke; Kenneth R. Hyde, Associate Manager of Hotel Roanoke; Samuel S. Moore, owner and executive of two furniture factories in Southwest Virginia.

* * *

The common capital stock of **The Illinois National Bank of Springfield, Ill.,** was increased effective Sept. 9, from $300,000 to $600,000. $200,000 of the increase was made by a stock dividend and $100,000 by the sale of new stock.

* * *

It was announced by the Board of Governors of the Federal Reserve System that the **St. Ansgar Citizens State Bank, St. Ansgar, Iowa,** was admitted to membership on Sept. 1.

* * *

On September 1 the **First American National Bank of Nashville, Tenn.,** celebrated its 70th Anniversary. The bank started business in 1883 with deposits of $369,240. The deposits on June 30, 1953 totaled $188,633,742 and the bank now has 14 offices.

* * *

The First National Bank of Atlanta, Ga., announced on Sept. 8, the election of Freeman Strickland as Senior Vice-President, Frank T. Davis as Senior Vice-President, John L. Hendon as Vice-President and Church Yearley as Assistant Vice-President.

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The common capital stock of **The First National Bank of Seguin, Texas,** was increased from $200,000 to $250,000 by the sale of new stock effective as of Sept. 11.

* * *

Gordon V. Adams, special representative of the **Bank of Montreal in Calgary, Alta.,** for the past four years, has been named third agent at the bank's New York office. He succeeds Arnold Hart, who will leave shortly on a two-month tour of the Far East with Edward R. Ernst, Superintendent of the bank's Foreign Department.

Mr. Adams joined the Bank of Montreal in his native Saint John, N. B., in 1922. He later became special representative in charge of the Latin American section of the bank's foreign department.

J. A. Richards, attached to the Bank of Montreal's superintendent's department, Calgary, for the past two years, has been appointed special representative in Calgary. He will be in charge of the bank's business development in the oil fields of Alberta.

Mr. Richards joined the Bank of Montreal in his home town of Edmonton, in 1929.

* * *

A branch of the **National Bank of India Limited, London, England** was opened at Mbarara, Uganda, on Aug. 28, 1953.

John Hecht, Jr. With Dempsey-Tegeler

LOS ANGELES, Calif. — John C. Hecht, Jr. has become associated with Dempsey-Tegeler & Co., 210 West Seventh Street. He was formerly with Brush, Slocumb & Co.

L. W. Campbell Co. Opens

DECATUR, Ill.—Lyle W. Campbell is now conducting an investment business from offices at 169 West Eldorado, under the name of Lyle W. Campbell & Co.

Hazen S. Arnold

Hazen S. Arnold, President of Braun, Bosworth & Co., Inc., Toledo, passed away at the age of 52 after an illness of two months.

Continued from first page

Challenge to Chemists

energy in kilowatt-hours or kilocalories is a better criterion. How much energy do we require to maintain our present American standard of living? We need about 3,000 kilocalories of food per day to feed ourselves but we need 50 times as much, or 150,000 kilocalories of fuel to feed our machines. Some experts say that we will need twice as much within 25 years. How long will our supply of fuel last? It is difficult to estimate but according to optimistic guesses in a few hundred years or at the best a couple of thousand the world's supply will be nearly gone. Natural gas will give out first, and petroleum second, but as long as coal lasts the chemist can give us gas and oil. Some European coal-producing countries will feel the pinch of exhaustion within decades and according to some authorities the depletion of American coal reserves may be felt within a century.

What will we do then for our fuel? Water power and wind power can be expanded somewhat. Tide power from the moon is restricted and rather impractical. Our hope lies in atomic energy and solar energy. But whereas our combustion fuel is right for our present engines, because we designed them so, atomic energy is too hot because of its radioactivity and solar energy is too cold because of its diffuseness. Here is our first challenge, to convert directly the energy of the atom and of the sun into kilowatt-hours of electricity.

A good beginning has been made in atomic energy but in my opinion we could have moved considerably faster toward atom-generated electricity by following the original plans for early construction of an experimental plant in the successful American tradition of learning by building. Unfortunately these plans had to be set aside for more emphasis on military defense. I have been interested in atomic power for nearly a decade now and I am convinced that it will come surely but slowly and that in the life time of many here tonight it will be a significant factor in the industrial work of the world. In this development the chemist will play an important role in solving two problems which are now bottlenecks to progress, **first**, the cheap chemical processing of partially-spent, radioactive, atomic fuel so that we may salvage the unfissioned uranium, and, **second**, the practical recovery of uranium from low grade ores.

Uranium Resources

The Atomic Energy Commission has stated that the world's energy resources of uranium exceed those of coal. You will remember that in theoretical heat values one pound of uranium undergoing total fission is equivalent to a train-load or 1,500 tons of coal. If we can find a way of extracting uranium from very low grade ores containing less than 0.01 of 1% uranium, the potential resources of uranium-generated heat will become enormous.

In my opinion, atomic power plants of the future will operate with gas turbines at very high temperatures of 3000 to 4000° F, thus giving a high thermodynamic efficiency. The non-oxidizing gases which are possible with atomic fuel, though impossible with combustion fuel, open up to the alert chemist possibilities of new materials which may withstand these high temperatures and still retain the necessary physical properties.

Atomic Power and Solar Heat

Atomic power will require large capital investment both for the uranium necessary to propagate a nuclear chain reaction, and for the expensive equipment necessary for safe control and handling of the radioactive material. For this reason atomic power will be used in large central stations. Solar energy on the other hand will be more suitable for smaller units widely dispersed.

Atomic energy and combustible fuels alike are pretty insignificant in total heat when compared with solar energy. The sun will still be going strong when all our chemical and nuclear fuels are exhausted. One atomic bomb gives off no more heat than a day's sunshine on two square miles. An acre of any land receives of the order of 20 million kilocalories per day no matter whether it is arid land, costing tens of dollars, or farm land costing hundreds of dollars or city property costing thousands of dollars.

Dividing the land area of the United States by the population, gives about 13 acres of land per person, on which falls about 260 million kilocalories of solar heat. I said we need only about 150 thousand kilocalories to feed ourselves and our machines. But unfortunately thus far we have learned how to use only a very small fraction of the solar heat received. The trouble is that the temperature of sunshine is not high enough to be interesting to an efficient engine and the cost of standard focusing devices necessary to obtain a high temperature seems now to be prohibitive.

To convert heat into work we need a difference in temperature just as we need a difference in level in order to obtain work from falling water. The situation is not unlike that of a dreamer at the seaside seeing the ocean and saying if we only had a lower level we could get a lot of water power out of the ocean. If we only had the sun's radiation at a higher temperature we could get a lot of energy out of it. As far back as 1884 solar engines have been built and operated, but the capital investment per horsepower is very large for as efficient engine. Possibly in isolated areas small, inefficient solar engines of low cost could be used advantageously in spite of unfavorable thermodynamics and economics. Research along these lines is desirable.

Then we can think of thermocouples and photovoltaic cells and electro-chemical cells with temperature gradients for the direct conversion of solar energy into electricity — but again the capital investment for an acre of metal, or an acre of glass or an acre of anything becomes so large as to be impractical. Here again new ideas may well change this picture. For example, thin plastics can be thought of in acre areas.

A Cheap Type of Solar Storage Needed

One of the important requirements for any solar engine or direct electrical convertor is a new type of cheap storage battery or storage system of enormous capacity to carry the solar energy over the night period. If solar engines do become practical perhaps those areas will be advantageously situated which have high plateaus nearby for pumping water up to a reservoir and letting it flow back through a water wheel.

There is no new era of solar prosperity just around the corner. A pessimistic report on the use of solar energy has been issued in England. House heating and the evaporation of sea water are areas of promise for solar researchers and engineers.

But the most promising approach to solar energy utilization lies is the hands of chemists. If one considers light in terms of quantum calculations the visible sunlight varies from 40 to 60 kilocalories per mole for photochemical reactions whereas for use as heat energy it corresponds to only a small fraction of one kilocalorie. In other words the abundant heat of the sun can operate photochemically with a high intessity factor and high work efficiency whereas if it operates in a heat engine the unfocused solar radiation has a very low intensity factor.

What we need is a cheap solar chemical which will absorb most of the sunlight and effect an endothermic, heat absorbing, chemical reaction, which can be later reversed, at will, to give up all the absorbed heat. For example, iodine vapor is dissociated into atoms by light. On recombination the atoms give off as much heat a they absorbed in the dissociation—but the recombination takes place instantly while the exposure to light is going on and the net effect is merely the immediate conversion of light into heat. The new magic solar compound should be able to absorb most of the light and give products which are stable and non-reactive until we heat them to say 200° C., or in some other cheap way bring about the exothermic reverse reaction when and where we want it.

It is not easy to find a material which meets these specifications. A good beginning has been made by Professor Lawrence J. Heidt of the Massachusetts Institute of Technology who has obtained both hydrogen and oxygen by the photolysis with ultraviolet of light of ceric and cerous perchlorate in water. Obviously these two gases could be stored indefinitely and combined at will to give a flame of high temperature for operating an efficient engine. Research along these lines should continue looking toward other solutes which might decompose water not only with ultraviolet light but with light of all the wave lengths of sunlight.

There is an intriguing challenge here to find the ideal solar compound but it is a difficult challenge.

Quest Not Hopeless

But the quest for the solar compound is not hopeless. Nature has already provided us with one which is truly marvelous. Chlorophyll acting in photosynthesis meets all our specifications even though an abstract physical chemist unfamiliar with reality, would have said that photosynthetic combination of carbon dioxide and water by sunlight is impossible. But photosynthesis has been going on for millions of years and has provided us with all our food and fuel.

Chlorophyll absorbs the sunlight and acquires enough energy to release hydrogen from water which in turn reduces carbon dioxide to carbohydrates and organic materials. Now this reduction calls for 112 kilocalories per mole, the same as the heat evolved when the carbohydrate is burned—but daylight has energy of only 40 to 60 kilocalories per mole. In order to obtain 112 kilocalorie-photons it is necessary to use three photons for each molecule, but a simultaneous collision of three photons and a molecule is practically impossible.

Apparently the process of photo chemical reduction goes in steps, one photon leading to partial re-

duction of carbon dioxide and successive photons carrying the reductions still further. Exothermic reactions must be wasting energy too and an overall efficiency of about 25% of the light absorbed seems to be the maximum efficiency obtainable under optimum laboratory conditions according to our work and that of the majority of the workers in this country.

The efficiency of energy storage in our agricultural crops is much less than this because the growing season in temperate zones is only one-third of the year, because that half of the radiation which is in the infra red is not absorbed, because the carbon dioxide content of the air 0.03% is too low and because the sunlight is much too intense for optimum efficiency. Actually the farmer with his crop of a couple of tons of dry organic matter per acre does quite well. When all this organic material is burned in air the heat evolved is one or two-tenths of 1% of the total year's supply of solar energy falling on the acre. Agriculture has and will continue to improve these yields per acre.

Algae As Energy Source

However, to get really big increases of ten-fold or so a bolder approach than that of conventional agriculture is necessary. One possibility which has been explored is to grow algae in cheap enclosed troughs or plastic bags with high concentrations of carbon dioxide. The total mass of these single-celled algae is involved in photosynthesis with no non-photosynthesizing parts. Perhaps new types of algae can be developed genetically which will be more efficient in bright sunlight. An attractive possibility in algae culture is the use of cheap land without good soil or large water supply. There are difficulties in this approach to increased use of solar energy but some research has been done and more should follow.

Next week we are going to have a lot of fun when with the cooperation of the National Science Foundation and the University of Wisconsin we are going to bring together in one building for three days and nights three dozen scientists from around the world who have worked in the non-biological utilization of solar energy. They will have no substantial progress to report. With no formal papers they will just talk shop and dream up new areas where basic research should be encouraged in the hope of turning up in the next decade or the next century something which may help to provide your descendants with energy from the sun when the ancient stores of solar energy trapped in coal, gas and oil are gone.

Now, let's turn to our metals and our minerals. Some of these like cobalt and nickel and tin and high grade manganese are already short. Others will become short in time. An excellent report on this situation has been prepared by the President's Materials Policy Commission. Here again the chemists are the hope of your descendants, yet unborn, for their supply of metals and materials. New methods for the recovery of low grade ores are needed. Past successes with beneficiations through size distribution, ore flotation with selective surface wetting agents and gas bubbles, magnetic and electrostatic separation, separation of dense and light materials by liquids of the proper density, new explosives, new chemical methods of mining, and selective adsorptions on iron exchange resins give us confidence that there are many other techniques now known or yet to be discovered in the laboratory which alert chemists of the future can put to good use for the cheaper recovery of needed materials from low grade ores.

Concentrated Elements of Plant Growth

Some elements are highly concentrated in growing plants such as iodine in sea weed and selenium in certain desert plants. Experiments are underway on the concentration of uranium in growing algae. It is not beyond the realm of possibility that long range research might lead to an understanding of this biological concentration and that we may sometime find it worth while to grind up low grade ores, dissolve them and grow algae on a large scale in the solutions, harvest the algae and obtain both fuel and rare elements. The recovery of one element alone may be uneconomical but if several elements are all concentrated at once the algal operation might become worth while. The pegmatites which are the last parts of granite to crystallize can give supplies of the rarer elements, which do not fit into the crystal lattices of the materials which crystallize out first.

In considering cheap acids and raw materials to react with low grade ores we might like to know that nitrogen oxides in concentrations of 2% in air can be obtained cheaply by a new thermal process for the fixation of atmospheric nitrogen.

Classic examples of the recovery from cheap raw materials are of course the recovery of bromine and magnesium from sea water. Other elements may perhaps be obtainable from sea water or selected river waters as a result of new lines of research.

Nature has tried many different ways of concentrating valuable deposits of minerals for our use, solution by water and precipitation or evaporation, thermal diffusion though cracks, mechanical transportation by glaciers and flowing water, and volcanic eruptions. Understanding the geochemical origin of these materials helps us to know better where to look for new deposits.

Research on Isotopes

The atomic energy program has poured money into research on isotopes and the results have been remarkable. Likewise, the intensive search for new sources of uranium, and the fact that uranium can be reliably analyzed for in parts per million, will lead to a greatly increased understanding of the geochemistry of uranium and through it to a better knowledge of the geochemistry of other elements.

Not only will the chemist supply the civilization of the future with materials which are now known but he will develop new materials and new technologies which will take the place of the older ones and which will often be better than anything heretofore available. The rapid development of plastics is an example of this way of solving the problems of the supply of materials.

The technical applications will keep pace with the material needs, provided only that we keep up our supply of chemists and of fundamental research. We know that we are already short in our supply of graduating chemists for replacements and expansions in the chemical field and we know that it takes from four to eight years to train entering freshmen to be chemists, chemical engineers and Ph. D. research chemists. We look with concern at the dwindling freshman enrollments in chemistry in our colleges and universities. We know too that the military selective service and the Reserve Officers Training Corps will take good many chemists and potential chemists. The full effects of these influences will not be evident at once but the technical manpower situation will become worse before it can become better.

American Chemical Society Educational Program

The American Chemical Society has taken an active part in trying to encourage more young men of ability and potential interest to take up the training for chemistry and chemical engineering and in trying to place the trained men in the military, in industry or in research in whichever capacity they can be of the greatest value for the welfare and safety of the country.

Applied research feeds on fundamental or basic research and one of our important challenges is to see that this important asset does not tend to dry up. European laboratories suffered badly during the war and much fundamental research in this country also was temporarily sidetracked. Thanks to rapid recovery and to large government subsidies in the United States the quantity of fundamental research is now at a high level.

I want to pause a moment though to emphasize the importance of quality as well as quantity in research. I also want to advocate more emphasis on bold research, which might be called risk research, analogous to risk capital investment which may be lost but which on the other hand may bring in large returns. There is a natural tendency to pick sure-fire research problems so that a graduate student will be certain of a Ph. D. in three or four years. There is a tendency also to choose subjects in sponsored research which will lead to tangible results in a year or two so that a good showing can more easily lead to the renewal of a research contract and continuation of personnel. Industry too has to be governed in its selection of research programs by an ultimate showing in dollars.

Now, there is nothing wrong with this situation and excellent research is being done but there is a danger here in multiplying the quantity of mediocre research and not placing enough emphasis on risk-taking research which, if it pans out, will open up whole new areas of research activities —both fundamental and applied. It would be very interesting indeed to try to classify published researches, into pioneering investigations of outstanding promise and investigations of substantial and valuable fact finding material that is not likely to be stimulating for further research. But it would be difficult to find the wisdom to make such a classification.

I wish that there were more funds in support of research like a recent one by the Guggenheim Foundation for research on the utilization of solar energy in which there is complete freedom from reports and accounts. Any unspent balance for a year can be carried over for expenditure in later years. The scientist can indulge better in the fun or risk research with this kind of support.

More Risk Research Advocated

While advocating more risk research I want to go one step further and advocate more rapid expansion from laboratory results of promise to larger scale operations, a procedure sometimes called a crash development. I realize that I am on dangerous ground here and I know that pilot plants are very expensive to build and operate. There is a philosophy according to which hasty developments of new processes do not pan out. We should wait, according to this philosophy, for technology to catch up with us. By spending enough money and scientific and engineering manpower we could have gotten Diesel engines and gas turbines much sooner, but they wouldn't have been significant in the economic and industrial life of the nation, according to this view, because the materials of construction were not easily available and the quick adaptation to existing conditions would have been difficult.

We did come through with a crash development in atomic energy which went much faster than a normal development because of the large sums of money and technical manpower that went into it—and "see" say the proponents of this philosophy "we got into trouble because the political and social conditions of our civilization were not ready for it."

Now there is an element of truth in this but I still want to speak in favor of the bold ven-

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Challenge to Chemists

ture in industrial developments as well as in fundamental research. It has been my good fortune to be associated with some of these crash developments — atomic reactors for industrial power, nitrogen fixation by quick chilling of air heated with fuel gas to very high temperatures, utilization of solar energy, and the recovery of uranium. One of these rapid developments has been sidetracked, one is getting ready for production and the others are quite unpredictable—but I assure you that they are a lot of fun, and I am convinced that eventually all of them will have been worth while. The more conservative researches are fun also. It is well to have both types of research going on, just as it's well for an investor to have both stocks and bonds.

In arguing for bolder approaches in some industrial developments, I would like to point out that years of painstaking laboratory research may in the long run cost more than a pilot plant and that much valuable time may be lost. In chemistry, the obsolescence rate—is very great—and those wait—may be too late: The problems which are uncovered by the actual running of a complete machine or process may be quite different from the problems which were emphasized in the laboratory. What if calculations did show that the bumble bee and the heavier-than-air flying-machine couldn't fly. Perhaps some of the basic assumptions were incomplete. Let's try the experiment and see if it works. Sometimes we don't know that the experiment won't work, and accordingly go ahead and do it.

Some say that we shouldn't try to crash through the ceiling of technological advancement in new experiments and new developments. Just wait for the steadily rising ceiling to rise high enough before we try our developments. We'll save headaches and money. I say, however, let's keep bumping our heads against the ceiling. The ceiling doesn't rise automatically — it rises **only** because some pioneers are willing to keep bumping their heads against it.

While discussing progress in research laboratories let me point out that floor space, facilities and equipment, technicians, secretaries and janitors, salaries and overhead go on just the same whether the laboratory is productive or comparatively non-productive. Everything depends on the vision, the inspiration and the freedom of a small number of leaders.

I've given you some challenges and some philosophies for meeting them.

Looking to Benefit of the Future

The chemist and the chemical engineer can probably take care of your material wants and those of your descendants but our real concern is for our human problems of the present. We can get by in a material way for the indefinite future, if the world's population can be kept in reasonable check, **provided** that we can solve the international, political and social problems of the next few decades.

Now, let me tell you three stories and if they bear any resemblance to the situations of real life—the resemblance is **not** entirely coincidental.

You have heard the story of the frightened rabbit running away from Washington. No one could catch up with him. Finally, a squirrel stopped him, "What's the matter, Mr. Rabbit?" "Oh," said the rabbit, "They're going to call me a snake." "Why you're not a snake and you know you're not a snake. What are you afraid of"? "Yes, I know," said the rabbit, "but how can I **prove** it"?—and he kept on running. Now I told this story at a student forum on academic freedom and said "Isn't it tragic that in Wisconsin in 1953 there should be any point to telling such a story." I was followed by a professor of history who is an expert on Eastern European affairs. He said, "This story is even more tragic than Professor Daniels has indicated—because I heard exactly the same story 15 years ago in a country which was soon afterwards taken over by a dictatorship." In our supreme efforts to stay free let us beware that we do not fall into the ways of dictator-dominated countries.

My second story has to do with the filling of a hypothetical vacancy in the chemical laboratory of a hypothetical foreign country. A committee was appointed to examine candidates and one of the questions was, "what is the formula for sulfuric acid"? This seemed too easy and the candidates thought that there must be a catch in it— some said H2SO4, some said H2SO5 and others said H2O.XSO3. They were all failed. Along came a smart candidate who said "What formula do you want"?—and he got the job. Now again is it tragic that there is a point to telling a story like this.

A Victory for Democracy

Very happily a notable victory against such procedures has been won for democracy and it has been won because thousands of citizens understood the issue and protested. It has been won also because Americans know how to work through representative committees (this time with the help of the National Academy of Sciences) and because our government wants to do the right thing.

The medical profession has a sacred code of ethics, the Hippocratic oath, to which all doctors subscribe. Chemists don't have a formal code but they have an unwritten code just as strong. They aren't usually responsible for the lives of their clients as a doctor is—but they are responsible for the welfare and safety of all the people. They are often thought of as working only with material things. But they can't meet their responsibilities without adhering to the highest ideals. If we did have a code it might be simply, "The unswerving adherance to **truth** without regard to personal prejudice, professional progress, political pressure or money."

As scientists and as Americans we have a priceless heritage of freedom and justice based on centuries of Christianity and democratic government paid for dearly through the lives of men of vision and high ideals. We have seen these sacred principles suffer in other areas. We of the mid-twentieth century are the present guardians of this freedom and justice.

Now my third story. Shortly after the war I was peacefully reading the newspaper in Oak Ridge when my eye caught the headline "Scientist Advocates Uranium Dollar." I said to myself, "now fool-scientist is shooting off his face and getting us all in wrong." I read on and found that they were quoting **me**. I had been asked by "Chemical and Engineering News" to write one of the first articles on peacetime atomic power and after giving all the unclassified material available then I stuck in, with qualifications, a brief suggestion that since a gram of uranium on fission gives a very large and very definite number of kilowatt-hours of heat this could be a standard of value independent of fluctuating prices and economic conditions. It was a cute idea—or so I thought at the time. But I knew nothing of economics and I should not have spoken on the subject while I was speaking as an authority in my own field. I learned, too, what every chemist ought to know that unimportant parts of a public statement can be taken out of context and put into headlines.

Scientific Knowledge Is International

Scientific knowledge has been built by the contributions of scientists of all nations and so it is easy, for chemists to see the need for international cooperation and good will. It has been my privilege and pleasure this summer to attend two important scientific meetings in Europe — the fiftieth anniversary of the Netherlands Chemical Society at the Hague and the seventeenth Congress of Pure and Applied Chemistry in Stockholm, at both of which we were graciously and royally entertained.

I cannot in so short a time bring to you any expert impressions from those who look at us from the outside. I can say, however, that some thoughtful European chemists, who saw personally the creeping paralysis of dictatorship in the making, are plainly worried at the attempted interference with government service and personal justice which they think they see starting in the United States — the country which has been for them a bulwark of freedom and democracy.

They are troubled also when they see some of their scientists denied admission to the United States and when they hear occasional military boasting. While they are likely to exaggerate the influence of loud mouthed or irresponsible persons in our country they nevertheless know from sad experience the danger of that influence. We know that all sorts of people speak out freely in our country but it is difficult for an outsider to distinguish between the voices that are irresponsible or warlike and the voices that are significant.

We have seen some loyal government workers and other professional men attacked irresponsibly, but it is gratifying to note that when the integrity of certain government scientists was attacked unjustifiably the scientists of the country of all political affiliations stood up and declared, "You can't do this to Science."

The American Chemical Society with its 70,000 members carries great weight. It must speak out officially only with great caution but it has the right and the duty to express itself on important, scientific matters of public concern. In this case the Society, after due deliberation, did speak out officially and legally through its board of directors. I am pleased to report that this action has had far-reaching approval.

A Summary

Summarizing, the chemist has many challenges and much pioneering work to do, to insure the continuation of energy sources and material supplies for the use of future generations. I've tossed out some suggestions as to how these challenges may be met through long-range research, and how this research may be effective. But my real concern is for our political and social problems and I've pointed to some danger signals which should be watched by chemists, acting in their role as intelligent and responsible citizens.

As I leave, shortly, this high office with which you have honored me, I want to express my sincere appreciation for the effective committee work done by so many of you and for the fine administrative work carried on by our hard working staff under the able direction of our Executive Secretary. Few people realize the enormous amount of conscientious work that goes on behind the scenes in order that your American Chemical Society can meet its obligations and operate smoothly.

We carry a heavy responsibility not only for the advancement of chemistry and for the training and welfare of chemists but also for national and international welfare and the advising of governments. Perhaps the greatest satisfaction of my trip abroad was to have chemists from different countries around the world come up to me and proudly say "I am a member of the American Chemical Society." We are all proud to be members of the American Chemical Society.

Railroad Securities

Chesapeake & Ohio

The Class I railroads realized a net income of $71 million for the month of July 1953, a gain of 82% compared with a year ago when the steel mills were closed because of the strike. For the seven months total operating revenues increased 5.8% while expenses were only 1.9% higher than they had been a year earlier. Of course, Federal income taxes took a considerably larger bite out of profits but even at that net income of $490 million was $142 million, or approximately 41%, greater than net income for the 1952 interim. For the 12 months through July 31, 1953, net income topped $966 million. This was appreciably better than the all-time peak calendar year earnings of $901.7 million realized in the war year 1942.

Although one would hardly get any such impression from looking at the market action of rail stocks in recent months, most analysts are convinced that 1953 will witness the attainment of a new calendar year peak in railroad earnings. Estimates generally are running between $950 million and $1,000 million compared with $824.5 million last year. Certainly there is no indication that rail earnings have as yet reached their top although it is quite possible that the peak on a 12 months' basis may have been reached in the period ended Aug. 31, 1953. August traffic held up well, highlighted by the stability of the important miscellaneous manufactures category and comparisons with a short-lived coal strike in August 1952. Also, there is evidence of continuing cuts in operating expense ratios.

Expectations of a continuation of the upward trend of railroad earnings in August are supported by release of the first individual report for the month, that of Chesapeake & Ohio. The complete breakdown of the road's operations for the month are not as yet available but the net results were impressive. Gross revenues were some $2.7 million greater than for August 1952. It is reasonable to anticipate that Federal income taxes were also higher. Nevertheless, net income increased by $1,192,000, or approximately 28%, to $5,517,000. It is also pertinent to note that July 1953, gross revenues were nearly $1 million lower than in July 1951, but net was $1,650,000 higher. Such a performance is not peculiar to Chesapeake & Ohio. It is general throughout the industry and offers striking evidence of the progress that has been made by the railroads in increasing operating efficiency and reducing costs. This is hardly the background calculated to support the abject pessimism that has dominated recent markets.

Obviously both speculators and investors alike are determined to ignore the present and early prospective high level of rail earnings. Increased dividends that have been coming along regularly, and which most analysts believe will be further augmented in the closing months of the year, have likewise been completely ineffective from a market point of view. Apparently the feeling has taken hold that there is a recession, or perhaps even a depression, in prospect in the near future. Obviously there is a similar widespread fear that in such a recession rail earnings will just melt away. No recognition is being given to the stabilizing influence on railroad earnings of the huge capital expenditures of recent years or the substantial reduction in fixed charges. The leverage in railroad earnings has been reduced materially.

That railroad management does not share the pessimism of the general public is implicit in the large number that have been willing to increase their dividends. The greater optimism of management is, to a considerable degree, based on recognition that a lot of fat has been put on the properties in recent years. The public has recognized the benefits derived from widespread dieselization because of the publicity given this development. Other factors have not stirred the public imagination to nearly so great an extent. Nevertheless, modernization of yards, improvements in signaling, mechanization of maintenance, etc., all of which are still going on, promise as great, and in many instances greater, percentage savings in operating costs as have stemmed from diesels. This largely explains the greater optimism of analysts and management.

$125,000,000 N. Y. State Thruway Authority Bds. Mktd.

A nation-wide syndicate of approximately 294 members managed jointly by The National City Bank of New York, The Chase National Bank and Lehman Brothers, on Sept. 16 offered $125,000,000 New York State Thruway Authority State Guaranteed Thruway (Second Issue) 2½%, 2.60%, 2.70%, 2¾% and 4% Bonds, dated Oct. 1, 1953 and due serially from Oct. 1, 1958 to 1984, inclusive. This is the second $125,000,000 issue under the authorization of $500,000,000 principal amount of bonds which may be guaranteed by the State of New York in accordance with the provisions of the Constitution.

The bonds are priced to yield from 1.60% to 2.80%, according to maturity.

Proceeds from the sale of this issue will be applied toward financing construction of the Thruway.

The bonds are unconditionally guranteed as to principal and interest by the State of New York by endorsement. Interest on the bonds is exempt, under existing statutes and decisions, from Federal income and New York State income taxes. The bonds are legal investments, in the opinion of the Attorney General of the State of New York, for savings banks and trust funds in New York State.

These bonds are subject to redemption, at the option of the Authority, on and after Oct. 1, 1963, at prices beginning at 103% and 104%, depending upon the amount of bonds called. The premiums decline in successive five-year periods to minimum prices of 100½% and 101%, applying from Oct. 1, 1978 to final maturity.

The Authority is empowered to collect fees, rentals and charges, including tolls to produce sufficient revenue to meet the expenses of operation and maintenance of the Thruway and debt service requirements of the bonds.

The parts of the Thruway presently under construction or shortly to be constructed comprise the route between New York City and Buffalo, via Albany, Schenectady, Utica, Syracuse and Rochester—a distance of about 427 miles. The project will consist of a four-to-six-lane highway.

Among other members of the underwriting group are: First National Bank; Bankers Trust Company; J. P. Morgan & Co. Incorporated; Guaranty Trust Company of New York; Chemical Bank & Trust Company; Bank of the Manahattan Company; Smith, Barney & Co.; Harriman Ripley & Co. Incorporated; The First Boston Corporation; Halsey, Stuart & Co., Inc.; Blyth & Co., Inc.; Lazard Freres & Co.; C. J. Devine & Co.; Phelps, Fenn & Co.; The Marine Trust Company of Western New York; Manufacturers Trust Company; The Northern Trust Company; The First National Bank of Chicago; Harris Trust and Savings Bank; Continental Illinois National Bank & Trust Company of Chicago; Hallgarten & Co.; Kidder, Peabody & Co.; Ladenburg, Thalmann & Co.; Glore, Forgan & Co.; R. W. Pressprich & Co.

Salomon Bros. & Hutzler; Barr Brothers & Co.; Blair, Rollins & Co. Incorporated; The First National Bank of Portland, Oregon; The Philadelphia National Bank; Bear, Stearns & Co.; Drexel & Co.; Eastman, Dillon & Co.; Equitable Securities Corporation; Estabrook & Co.; Hemphill, Noyes & Co.; Kean, Taylor & Co.; Manufacturers and Traders Trust Company, Buffalo; Mercantile Trust Company, St. Louis; Paine, Webber, Jackson & Curtis; Stone & Webster Securities Corporation; Union Securities Corporation; White, Weld & Co.; A. C. Allyn and Company Incorporated.

F. S. Moseley & Co.; B. J. Van Ingen & Co. Inc.; Geo. B. Gibbons & Company Incorporated; Hornblower & Weeks; Lee Higginson Corporation; Reynolds & Co.; L. F. Rothschild & Co.; Schoellkopf, Hutton & Pomeroy, Inc.; Wood, Struthers & Co.; Adams, McEntee & Co., Inc.; Bache & Co.; A. G. Becker & Co. Incorporated; The Boatmen's National Bank, St. Louis; Braun Bosworth & Co. Incorporated; Coffin & Burr Incorporated; Dominick & Dominick; First of Michigan Corporation; Ira Haupt & Co.; Hirsch & Co.; Laidlaw & Co.; Laurence M. Marks & Co.; Wm. E. Pollock & Co., Inc.; Roosevelt & Cross Incorporated; Chas. E. Weigold & Co. Incorporated; Robert Winthrop & Co.

Alex. Brown & Sons; Dick & Merle-Smith; R. S. Dickson & Company Incorporated; Fidelity Union Trust Company, Newark; Harris, Hall & Company (Incorporated); Hayden, Stone & Co.; W. E. Hutton & Co.; Aubrey G. Lanston & Co. Incorporated; Carl M. Loeb, Rhoades & Co.; W. H. Morton & Co. Incorporated; The National Commercial Bank & Trust Company of Albany; Shearson, Hammill & Co.; F. S. Smithers & Co.; State Bank of Albany; Stroud & Company Incorporated; Swiss American Corporation; American Securities Corporation; Bacon, Stevenson & Co.; Eldredge & Co. Incorporated; Hannahs, Ballin & Lee.

R. H. Moulton & Company; National State Bank, Newark; The Public National Bank and Trust Company of New York; Schwabacher & Co.; Trust Company of Georgia; Tucker, Anthony & Co.; G. H. Walker & Co.; Weeden & Co. Incorporated; William Blair & Company; Julien Collins & Company; Paul H. Davis & Co.; R. L. Day & Co.; Francis I. du Pont & Co.; and Green, Ellis & Anderson.

Business Man's Bookshelf

American Anarchy, The—Lionel Gelber—Henry Schuman, Inc., 20 East 70th Street, New York 21, N. Y.—cloth $3.50.

Combating Statism—Leonard E. Read — Foundation for Economic Education, Inc., Irvington-on-Hudson, N. Y.—paper—single copies free—quantity prices on request.

Downtown versus Suburban Shopping — Dr. C. T. Jonassen—The Bureau of Business Research, College of Commerce and Administration, Ohio State University, Columbus 10, Ohio—paper—$2.00.

International Position and Commitments of the United States—Dr. Charles C. Abbott—American Enterprise Association, 4 East 41st Street, New York 17, N. Y.—paper —50c.

Selection and Development of Executives — a bibliograph — Selected References No. 53—Industrial Relations Section, Princeton University, Princeton, N. J.—paper—20c.

South American Handbook — 1953 Edition—H. W. Wilson Company, 950 University Avenue, New York 52, N. Y.—cloth—$2.00.

The Mainspring of Human Progress — Henry Grady Weaver — Foundation for Economic Education, Irvington-on-Hudson, N. Y. —paper—$1.50; cloth—$2.50.

With Merrill Lynch

(Special to The Financial Chronicle)

DETROIT, Mich. — Donald J. Addy is now connected with Merrill Lynch, Pierce, Fenner & Beane, Congress & Shelby Streets.

With J. A. Lynch Co.

(Special to The Financial Chronicle)

ST. CLOUD, Minn. — John A. Fernberg has become affiliated with J. A. Lynch Co., Inc., 1616 St. Germain Street.

Barrett Herrick Adds

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—James D. Land is with Barrett Herrick & Co., Inc., 1016 Baltimore Avenue.

Mutual Funds

By ROBERT R. RICH

Institutional Holders of Fundamental Increase 71%; Small Investors Hold 66% of Fund's Total Assets

Indication of a growing use of mutual funds by institutional investors is contained in a recent survey of the shareholders of Fundamental Investors, Inc., one of the larger common stock funds.

The survey's findings issued by the sponsor, Hugh W. Long & Co., Inc., reveal that while the total number of Fundamental shareholders increased from 29,687 to 44,478, a gain of 51% during a two-year perior (1951-53), institutional shareholders increased from 1,086 to 1,917, a gain of 76%.

On the survey date, this class of shareholders had combined holdings of more than $16,000,000 and 11% of the voting power at annual meetings.

Among the types of institutional holders of Fundamental, trustees, guardians and estates were the most numerous category. The number of pension and employee benefit plans owning shares showed a gain of 343% followed by fraternal, professional, trade and union organizations with a gain of 162%.

These figures point to an increasing reliance on a diversified, mutual fund by professional investors, men responsible for handling other people's money.

The survey confirmed previous evidence of the predominance of small investors, those with holdings of less than $10,000. Totaling 41,269, these average citizens comprised 92% of total stockholders and owned 66% of the Fund's net assets. The average holding in this group was $2,400. One thousand two hundred and five individuals had between $10,000 and $20,000 invested in the Fund, while another 466 owned shares with more than $20,000.

The survey disclosed shareholders of Fundamental Investors in every state of the union and in 30 foreign countries.

IN VIEW of the sharply improved sales and earnings outlook for the chemical industry, Chemical Fund thought it timely to review developments in the industry during the past 12 months.

"Chemical activity," the Fund reports, "after declining to a mid-1952 low, resumed its long term growth during the latter half of 1952 and the first half of 1953. Preliminary figures indicate the Federal Reserve index of industrial chemical production hit an all-time high of 646 in July, 1953. Significant historical figures for this index compared with the index of industrial production were as follows:

	Industrial Product'n	Industrial Chemical Product'n
1935-39 Average	100	100
World War II high	247	412
1949 low	161	388
July 1953 level (preliminary)	233	646

"Sales and earnings reported by Chemical Fund portfolio companies reflect this growth in chemical activity. For the first six months of 1953 these companies reported an average increase of 11% in both sales and earnings compared with the corresponding period last year. In many instances, the improvement in net income was achieved despite substantial charges for accelerated amortization and for excess profits taxes. Business continues at high levels in the chemical industry during the third quarter and in most instances we expect the rate of earnings established so far this year to continue throughout 1953.

"Based on current earnings and market prices chemical equities are now valued at the lowest price earnings ratio since 1950. The average P/E ratio for Chemical Fund's portfolio companies currently is 13.5 compared with 17.1 at the market high in 1946 and 8.7 at the market low in 1949 and an average of 18.1 for the prewar years—1938 to 1941.

"Sound investment principles stress the importance of acquiring common stocks of growing companies provided these securities are not overvalued in relation to their current and prospective earnings. At today's prices chemical securities appear more attractive in relation to earnings than at any time during the past three years."

SHAREHOLDERS' Trust of Boston has developed a shareholders' plan for long-range investing covering both dividend re-investment and periodic payments at the public offering price, it is an nounced by Harriman Ripley & Co., Inc., national distributor of shares of Shareholders' Trust of Boston.

In working out the plan, the two primary objectives of trustees of the investment company were first, productiveness, and second, simplicity and economy of operation for all concerned the firm reports.

Under the plan, each shareholder of the Trust, regardless of the size of his holdings may participate merely by filing an application signed by him and the investment dealer through whom his purchases are to be made.

Among the features of the shareholders' investing plan are its appeal to all shareholders on an entirely voluntary basis and a provision for carrying reminders of the plan to all shareholders through their dividend checks.

INVESTORS used the Keystone Open Account Plan to invest $1,068,051 of new capital in the Keystone Funds during the first six months of the Plan's operation, the company reports. Initial payments in 871 Plan accounts totaled $667,052. Individually, they ranged from a low of $20 to a high of $36,000, with an average of about $766 each. There were 1,892 "repeat" investments during the six months totaling $400,999, and averaging about $212 each.

The Keystone Open Account Plan is entirely flexible—no minimum initial payments or regular repeat investments are required. Investors may invest as large or as small a sum as they wish at the start, and then add capital to their accounts regularly or irregularly, as they see fit. They also have a continuing choice as to which of the four Keystone Bond Funds, the two Preferred Stock Funds and the four Common Stock Funds are to be bought and/or held for their Open Accounts. Thus far, Discount Bond Fund "B4" and Income Common Stock Fund "S2"—in that order—have proved to be the most popular, with Income Preferred Stock Fund "K1" and Low-Priced Bond Fund "B3" competing for third place.

Keystone Custodian Funds, Inc., trustee and supervisor of the 10 funds with combined assets of more than $211,000,000 on Aug. 31, 1953, made their Open Account service available in late January of this year. Including those Keystone investors who were already reinvesting Distributions paid by their Keystone Funds, and whose accounts are now on the Open Account basis more than 3,000 investors have capital worth $1,451,429 in Open Accounts.

A MIDDLE-of-the-road position is what dealers are finding appeals most strongly to the typical periodic investor, according to Distributors Group, Inc. This firm's "Shop Talk" points out tnat by knowledge or by instinct the middle-of-the-road investor is aware that he can't combine all his investment objectives in one package, and is willing to settle for a sensible compromise, since he shuns the extreme risks that go with extremes.

"Shop Talk" points to The Common Stock Fund of Group Securities, Inc., as the most effective combination of the three basic objectives of the long-range investor, who seeks the ideal combination of volatility to give him the advantage of dollar cost averaging, high return to improve his net result, and long-term growth.

"A well-managed mutual fund is its own growth stock," according to the bulletin, "and The Common Stock Fund has constantly sought to enhance its value in terms of both price and dividends paid. Its 5.11% return on recent offering price indicates good current income from quality stocks."

GEORGE PUTNAM, Chairman of the trustees of The George Putnam Fund of Boston, announced that during the first eight months of 1953 investors purchased 31% more Putman Fund than in the same period last year. Gross sales for the first eight months of 1953 were $8,081,000 compared with $6,183,000 for the corresponding period of 1952.

HARRY HAGEY, JR., President, reports that the total net assets of The Stein Roe & Farnham Fund now amount to $6,710,824.33, equivalent to $21.88 on each of the 306,695 shares presently outstanding.

Selected Stocks Are "Buys" Now For Appreciation and Substantial Yield

A survey entitled, "The Outlook for Business and Security Prices" has just been released by Henry J. Simonson, Jr., President of National Securities & Research Corporation, sponsors of National Securities Series.

Industrial production, based on the Federal Reserve Board Index, is expected to average 236 for the year as against 219 for 1952. While commodity prices may drop, the report estimates that the cost of living will rise slightly and that employment this year should average 62 million persons.

Retail trade is forecast to reach $173 billion for the year compared to the 1952 high of $164.1 billion, but farm income is expected to drop from last year's high of $33.4 billion to $30.7 billion.

The Report estimates that Personal and Disposable Income will be up over the past year, the latter rising from $235 billion to $247 billion.

The total Gross National Product which is made up of personal consumption expenditures, new construction, producer's durable equipment, change in business inventories, government purchases and net foreign investment is estimated to reach $366 billion, a rise of $18 billion over 1952. The national debt is predicted to rise by $7.5 billion to $274.5 by the year-end.

Corporate net earnings are expected to rise in all major categories. After taxes, railroad earnings are put at $887 million against $824.5 for last year, electric utilities at $1,030 million from $921.8 million and industrials up from $16.8 billion to $17 billion. Total 1953 earnings are expected to reach $18.9 billion as compared to $18.5 billion last year. Dividends of all U. S. corporations are expected to total $9.4 billion as compared with $9.1 billion last year.

National Securities & Research Corporation concludes that business activity during the balance of 1953 is expected to remain at a relatively high level and adds that "many selected common stock issues appear to be selling at price levels where purchases are likely to offer attractive prospects for long-term appreciation, with substantial current yields maintained."

"What Happens to Money in a Bank"

"Exactly what is being done with the $200 billion on deposit in more than 14,000 banks in America?"

"What Happens to Money in a Bank," the latest speech booklet published by the Cooperative Educational Program of the Pennsylvania Bankers Association answers this question in clear, understandable terms. The booklet (50 cents a copy to banks outside of Pennsylvania) is the fourth in a series of prepared speeches for use by bankers before student bodies, civic groups, and other organizations. The material is treated in the most general way and bankers are urged to substitute facts and figures from their own institutions when addressing an audience.

"Obviously," the copy points out, "a bank does more than merely provide a safe place for keeping money. What really happens is this: the bank pays its customers for the privilege—not of storing their money — but of using their money." There follows a discussion of savings, checking, lending, and the many other services provided by banks and "in each case, both the bank and the public profit by the transaction."

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Investment Company Portfolio Management

responsible generally for the machinery and equipment group.

In setting up this departmentalized scheme of operation, we attempt to avoid over-specialization. An analyst who confines himself to a single industry or a narrow field tends to become somewhat warped or biased in his judgment. Each analyst covers a field sufficiently broad so that he may have the balance of perspective in arriving at recommendations. A regular weekly meeting of the entire research department at which the current business situation is reviewed and important developments in individual industries are reported further provides for a flow and exchange of ideas among the members of the department.

The portfolio administrator is assisted by two deputies: an economist and a senior analyst. The primary duty of the economist is the evaluation and interpretation of economic trends, which is summarized in concrete fashion by his projection of the Gross National Product which I shall discuss later. In addition, he undertakes various economic research which is germane to investment problems of the moment. For instance, the vast capital expansion undertaken by industry following Korea carried obvious investment implications which was the subject of a special study. Likewise, the potentialities of inflation likely to arise from the outbreak of hostilities in Korea were carefully studied. Of more current interest, an investigation was made toward the end of last year on the matter of interest rates in the light of the new monetary philosophy brought about by the elections.

Study of Market Factors

In addition to these economic studies, he does work on the technical factors of the market, as, for example, a study of the relationship of stock prices to weighted average earnings over a period of years. In arriving at investment decisions, we do not rely upon charts or other "gimmicks" of the market technician. Nevertheless, an examination of the technical aspects of the market is essential in a well rounded investment approach, and provides a helpful check as to conclusions drawn on the basis of economic and financial studies. In this connection, it is interesting to note that the course of security prices in the post-war period has more often than not been in inverse correlation with the trend of corporate earnings.

The Work of the Analysts

Time does not permit more than a brief summary of the nature of the work done by the analysts. Financial reports of corporations are carefully analyzed for sales trend, profit margins, tax position, and, of course, earnings and dividends. The balance sheet is scrutinized with particular emphasis on the working capital position, and the plant construction program. This is important, for example, as to the probable effect upon dividend policy and the need for new capital financing. Balance sheet data are generally reported annually, but the income account is usually available and studied on a quarterly basis. In some cases, data as to sales and earnings are available on a monthly basis, and provide a valuable check as to current trends in various industries.

Every effort is made to furnish the analyst with adequate tools. Not only are the standard financial services available, but also a large number of trade journals, and government publications. The money spent for these items alone represents a substantial sum in the research budget, but it is essential in order to do a good job. In addition, charts are maintained by a statistical assistant covering the trend of stock prices of industry groups and of individual companies both as to actual price and their performance relative to the market as a whole.

As a necessary supplement to this desk work, our analysts engage in extensive field trips for the purpose of interviewing corporate officials. We have found these interviews to be extremely helpful. For one thing, by the personal contact they afford, they enable us to form a much more intelligent opinion regarding that vital corporate ingredient: management. Furthermore, the analyst gains a better insight into the basic characteristics of the company and the nature of the problems it faces. He is thereby better able to evaluate the impact of economic developments upon the company. Finally, and not least important, the discussion with able executives of the current and prospective economic trends affecting their company and their industry is an invaluable aid in the formulation and in the checking of our own views on the general economic outlook.

I should like to emphasize that the value of these field trips is in direct proportion to the experience and ability of the analyst. The corporation executive is too busy a man to take the time to educate and inexperienced questioner, and in such cases, the interview often degenerates into a not very helpful mass of generalities and platitudes.

Reporting to the Portfolio Administrator

The research department passes on to the portfolio administrator and his two deputies a constant stream of reports embodying the results of its studies and interviews. There is also coming into the department a flow of outside material from banks, brokerage firms, economic services, and others. These are the raw materials from which we fashion our investment decisions.

Such material is so voluminous, however, that one is apt to flounder around in it unless some orderly method of procedure is adopted. I shall try to describe briefly our own form of operations.

Analyzing the Business Cycle

One of the first steps in making an investment is to get one's bearings as to where he is in the business cycle. This is not so easy as it appears. Are we at the trough of a recession, or only part way down the slope? Are we at the crest of a business boom, or only part way along a period of stable prosperity? These are questions which can only be answered with absolute confidence in retrospect. Nevertheless, it is necessary to attempt to set our sights. For example, if it is decided that a recession appears imminent, there is no point in even considering purchase of a highly cyclical stock, regardless of its apparent statistical merit. Rather, efforts should be devoted toward increasing the proportion of defensive types of securities.

So, in order to provide the proper economic background on which we may base our investment policy, our economist constructs a projection for a year ahead on a quarterly basis of the gross national product and its important components. This is accomplished by an examination and projection of the course of activity of the important individual sectors of our economy, and the total is added up to arrive at the figure for gross national product. In the sector of government spending for example, budget figures and policy statements as to the course of armament expenditures provide a fairly reliable guide as to what might be anticipated in the way of government expenditures.

On the basis of this projection, the analysts have an economic background on which they can make projections for their respective industries based on the historic relationship of these industries with the gross national product or its components. Retail trade, for example, might be expected to move about in line with consumer disposable income. Any deviation from this relationship such as occurred in the buying spree following the outbreak of hostilities in Korea when consumer buying outran consumer income carries the implication of a subsequent downward swing until normal relationships with consumer income are reestablished.

We are fully cognizant of the fact that this, like any other economic forecast, is not infallible. Accordingly, a new projection is made every quarter to take account of conditions as they then exist. Furthermore, in the interim period we are constantly checking our projections against the actual trend of economic developments.

In order to define further our policy with respect to actual selections, we set up each month an approved list based upon recommendations of the research department. This list contains all classes of securities: high-grade, medium-grade, and speculative bonds, preferred stock, convertible securities, and common stocks. The common stock portion is set up on a percentage basis, taking that portion of the portfolio invested in common stock as 100%. A percentage is then allocated to each industry group: 16% to utilities, 9% to the oils, 5% to the steels, etc. Each industry group is further broken down by percentages as to individual companies within these industries which we favor for investment. This approved list is, one might say, our theoretical ideal portfolio, and serves as a guide to our security transactions and our thinking. As such, it will not correspond exactly to our actual portfolio.

Drawing Up the Purchase and Sales Program

Finally, to bring the program down to the level of actual day-to-day transactions, the portfolio administrator and his deputies draw up an active purchase and sales program for each of the investment companies which we manage. Each morning this program is reviewed with careful noting of the price trends of the individual securities, and a buying and selling program is set up for the day. This program is given to the trading desk with definite amounts to be purchased or sold, and price limits set for each security. The course of the program is checked several times during the day, and all transactions are closed out at the end of the trading day. Large blocks of securities may be purchased or sold off the board if price or other considerations make this operation more advantageous. Such transactions are not left to the discretion of the trader, but to the decision of the portfolio administrator.

This is the outline of the procedure by which we manage our portfolios. It is the picture of experienced men conscientiously engaged in assembling facts, and evaluating them in order to arrive at correct investment decisions. It is a continuous never-ending task because proper management requires keeping the portfolio in step with changing economic and political developments of this fast moving world in which we live.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Bank Stocks

"The Favorable Outlook for Bank Stocks" is the title of a recent study on such investments published by The First Boston Corporation of New York, one of the leading investment banking organizations maintaining an active interest in bank shares.

In view of the comprehensive nature of this report and the fact that First Boston regards bank stocks favorably at this time, we present the significant factors supporting their position which are summarized at the beginning of the publication.

"(1) Higher interest rates on loans and investments and a continuing large volume of loans are contributing to increased net operating earnings for banks. While losses on sales of securities have reduced the over-all net profits of a number of banks, these losses are of a non-recurring nature and are offset in part by tax deductions and in part by higher returns on reinvested funds.

"(2) Dividend pay-out rates by banks are generally low in relation to net operating earnings. On the basis of estimated net operating earnings for 1953, seven of the sixteen major New York City banks would be paying out 55% or less of earnings. This suggests the possibility of dividend increases in several instances.

"(3) In addition to the immediate factors of rising operating earnings and increased dividend possibilities there are certain longer range developments which give promise of improving the outlook for banks. These include the possible termination of the excess profits tax law at the end of 1953, the possibility of a revision in the bad debt reserve formula to give banks a more liberal tax-deductible allowance in the accumulation of such reserves and the possibility of an eventual correction of certain inconsistencies and inequities in reserve requirements of banks in central reserve cities compared to those in reserve cities.

"(4) Present prices of bank stocks are slightly above the lows of 1953 and it would appear that little consideration has been given to the improvement in earnings and dividends that has taken place and seems likely to continue. Furthermore, current yields averaging over 4½% on New York City bank stocks, compare favorably with those obtainable on high grade preferred stocks.

"For the first six months of 1953, net operating earnings of 15 major New York City banks which published mid-year income statements increased 5.8% over the first half of 1952. Based upon an analysis of the factors affecting bank earnings, it is expected that an even better relative gain in net operating earnings will be achieved by the New York City banks in the last half of 1953. The prospects are for continued improvement in operating results in 1954. Although the prices of bank stocks have risen from their lows of this year, they do not appear to have fully reflected the favorable earnings trend nor the possibility of dividend increases in several instances. . . ."

In support of the foregoing viewpoint the First Boston study goes on to discuss each of the above factors separately and where necessary adds appropriate statistical material.

One of the more interesting discussions is that with respect to dividends. In as much as a number of banks over the next several months will consider year-end payments, extras or increases in the regular rates, it commands more than the usual attention.

One of the significant points made in the report is that New York banks last year paid out in dividends only 59% of net operating earnings and seven of the leading institutions distributed less than 55%. In 1951, dividends of the New York City banks amounted to 64.9% of net operating earnings.

Thus while there were a number of banks that enlarged dividend payments in 1952, operating earnings gained at a faster rate. The trend of earnings has continued upward so far in the current year, lending support to the belief that over the next few months, dividends of a number of banks will be increased or larger extras paid.

This favorable outlook for bank stocks, as The First Boston report states, gives attraction to the shares at this time.

Joins Mitchum, Tully

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Charles E. Worley has become associated with Mitchum, Tully & Co., 650 South Spring Street.

Two With W. G. Houston

(Special to THE FINANCIAL CHRONICLE)

QUINCY, Ill.—Janet Dickinson and James H. Gordon are now affiliated with W. G. Houston & Co., Mercantile Building, members of the Midwest Stock Exchange.

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The State of Trade and Industry

may also result from reduction in extra charges or freight absorption, continues this trade authority.

Competition has already induced independent mills to begin first, cautious absorption of freight. But most mills have remained gun-shy of anything but f. o. b. prices ever since July, 1948, when the Supreme Court decision in the cement case outlawed basing point pricing, "The Iron Age" states.

The Federal Trade Commission says it's OK to meet competition in this way. But steel firms shouldering freight bills are watching FTC over their shoulders. They'd feel a lot better if Congress would pass one of the proposed bills spelling out legality of freight absorption, this trade magazine observes.

There is no panic in the steel industry despite the fact that the ingot rate last week dipped to the lowest point (89.2%) in 13 months. Steel officials knew it was coming, had predicted it. Also last week's lower rate resulted partly from Labor Day holiday and a strike that flattened operations of one of the nation's largest steel plants at Lackawanna, N. Y., concludes this trade journal.

Steel Output Strikes 13-Month Low Level

Steel output dropped last week to the lowest level in 13 months, says "Steel," the weekly magazine of metalworking, the current week.

The decline was attributed by this trade journal to a strike at Buffalo, lessened steel demand in the West and some other areas, and the Labor Day holiday.

The resultant national rate of production of steel for ingots and castings was 88.5% of capacity, or the lowest mark since August of last year when the steel industry was recovering from a general strike.

In the Buffalo district last week, production plunged 75 points to 31.5% of capacity as a result of a trike that originated in the coke oven department of Bethlehem Steel Company's plant at Lackawanna, it states.

Elsewhere, steel production tended to ease off in conjunction with a decrease in steel demand. When there isn't frenzy in demand for steel, producers are not inclined to push their production facilities to capacity limits. An outstanding case of where steel producers cut production to fit demand is in the West. Last week the composite operating rate for 17 far western mills fell 12.5 points to 90% of capacity, notes this trade magazine.

While steel demand and production are down in some areas they are holding up well in others, declares "Steel." Pinched the most are facilities that had been making conversion steel and other premium-priced steel, facilities making forms of steel that have been easing in demand for some time, and facilities that are the least favorably located to consumers, it notes.

Spearheading the return of competition to the steel market is the drop in the price of scrap—one of the principal raw materials for steelmaking. For the fourth consecutive week, scrap prices declined and in the week ended Sept. 10 they lower "Steel's" arithmetical price composite on steelmaking grades to $38.67 from the preceding week's $40.50. The $38.67 figure is the lowest recorded since August, 1950, states this trade publication.

The American Iron and Steel Institute announced that the operating rate of steel companies having 93% of the steel-making capacity for the entire industry will be at an average of 90.3% of capacity for the week beginning Sept. 14, 1953, equivalent to 2,036,000 tons of ingots and steel for castings as against 89.2% (revised), or 2,011,000 tons a week ago. For the like week a month ago the rate was 95.9% and production 2,162,000 tons. A year ago the weekly production was placed at 2,121,000 tons and the operating rate was 102.1% of capacity. The percentage figures for the current year are based upon the capacity as of Jan. 1, 1953.

Car Loadings Fall 2.4% Below Preceding Week

Loading of revenue freight for the week ended Sept. 5, 1953, decreased 19,382 cars, or 2.4% below the preceding week, according to the Association of American Railroads.

Loadings totaled 799,079 cars, an increase of 52,197 cars, or 7.0% above the corresponding 1952 week, which included the Labor Day holiday, and an increase of 66,310 cars, or 9.0% above the corresponding 1951 week which also included the Labor Day holiday.

Electric Output Tapers Off From Last Week's All-Time High Record

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Sept. 12, 1953, was estimated at 7,962,823,000 kwh., a decrease from the latest all-time high record established the week before, according to the Edison Electric Institute. The previous high point at 8,694,301,000 kwh. was reached in the week ended Sept. 5, last.

The current figure is a decrease of 731,478,000 kwh. below that of the preceding week, but reflects a gain of 308,499,000 kwh., or 4.0% over the comparable 1952 week and an increase of 825,171,000 kwh. over the like week of 1951.

U. S. Auto Output Continues Lower Trend

Automotive output for the latest week dropped 7.0% below the preceding week's volume, as a result of the Labor Day holiday, a shortage of transmission parts and inventory readjustments, "Ward's Automotive Reports" stated.

The industry turned out 97,317 cars last week, compared with 105,214 in the previous week. A year ago the weekly production was 102,763 cars.

United States truck production last week totaled 18,989, compared with 22,302 the previous week. A year ago truck output was 24,922 units.

Canadian companies made 5,386 cars last week, compared with 5,638 in the previous week and 6,509 in the like 1952 week. Truck production amounted to 1,008 units last week, against 1,049 the week before and 3,101 in the year earlier period.

Business Failures Recede in Holiday Week

Commercial and industrial failures declined to 131 in the holiday-shortened week ended Sept. 10 from 178 in the preceding week, according to Dun & Bradstreet, Inc. However, casualties remained well above last year when 91 occurred in the similar week and compared with 164 in 1951. Continuing far below the prewar level, only one-half as many businesses succumbed as in 1939 when the toll amounted to 269.

Failures with liabilities of $5,000 or more dropped to 114 from 147 in the previous week, but were above the total of 71 a year ago. Small casualties, those with liabilities under $5,000, declined to 17 from 31 and were off slightly from 20 in the corresponding week of 1952. Fourteen concerns failed with liabilities in excess of $100,000, as compared with 19 last week.

Manufacturing mortality fell to 24 from 42, construction to 11 from 25, and retailing to 68 from 83. Little change appeared in wholesale trade or in commercial service. More businesses succumbed than a year ago in manufacturing and trade, with notable rises from 1952 among both wholesalers and retailers. On the other hand, construction had a smaller toll than last year and service held steady.

Six of the nine major geographic regions reported weekly declined in casualties. In the Pacific States failures dropped to 28 from 50, in the East North Central to 11 from 20, and in New England to 6 from 16, but the decrease was relatively mild in the Middle Atlantic and West South Central States. Mortality rose in only two regions, the South Atlantic and East South Central, and remained unchanged in the West North Central States. All areas except New England had more concerns failing than in the comparable week of 1952.

Wholesale Food Price Index Turns Slightly Higher

The wholesale food price index, compiled by Dun & Bradstreet, Inc., edged slightly upward last week, following the sharp dip of a week ago. The index rose to $6.62 on Sept. 8, from $6.61 on Sept. 1, and compared with $6.60 on the corresponding date a year ago.

The index represents the sum total of the price per pound of 31 foods in general use and its chief function is to show the general trend of food price at the wholesale level.

Wholesale Commodity Price Index Recovers Slightly in Latest Week

The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., displayed a mild advance during the past week. The index closed at 282.22 on Sept. 8, comparing with 280.56 a week earlier, and 293.29 on the corresponding date a year ago.

Grain markets were unsettled but the general trend of prices was upward during the past week, influenced largely by light receipts and hot and dry weather in producing areas.

Trading in wheat futures was more active and greatly exceeded the volume of a year ago.

Cash wheat was strong; offerings were limited as producers continued to place large quantities in store or under loan. Corn moved irregularly with cash prices at Chicago reaching the highest levels of the year.

The crop was reported far advanced for this date and farmers were said to have impounded a great deal of their grain. Preliminary estimates of this year's corn yield indicate a sizable drop from the Aug. 1 government forecast of 3,330,418,000 bushels. Activity in grain and soybean futures on the Chicago Board of Trade increased last week with purchases totaling 297,181,000 bushels. This represented a daily average of 59,400,000 bushels, against 54,000,000, the previous week, and 40,700,000 a year ago.

Buying of Spring wheat bakery flours continued on a hand-to-mouth basis with bakers and jobbers showing extreme caution in view of the heavy domestic wheat supply situation and the discouraging outlook for export trade. Interest in durum blends was limited and buying of family flour was at a near standstill. Cocoa values were fairly well maintained. Warehouse stocks of cocoa were again lower, totaling 158,468 bags, against 167,114 last week and compared with 125,575 a year ago.

Continued firmness in coffee reflected active buying by roaster who sought to build up their supplies in the event of a dock strike on the expiration of the longshoremen's contract at the end of September. Lard was active and rose sharply as stocks continued to decline under the impact of heavy government buying. Loose lard sold at highest prices since November, 1948. Livestock prices generally showed continued weakness.

Spot prices were generally firm and continued in a narrow trading range with the market showing little in the way of a definite trend.

The main steadying influence appeared to be the prospect of a gradually tightening free supply position, based on expectations that much of the surplus will wind up in the loan.

CCC loan entries on 1953 crop cotton for the current season through Aug. 28 were reported at 47,209 bales, indicating entries for the week of 16,534 bales, as against 14,400 bales in the preceding week. The net stock of 1952 crop cotton still under loan was given at 1,730,934 bales. Exports of cotton for the first month of the new season amounted to 131,411 bales, as compared with 111,853 bales in August last year.

Trade Volume Drops Slightly as a Result of Labor Day

Although the reports varied considerably, the over-all tendency was toward a slight decline in the dollar volume of retail trade in the period ended on Wednesday of last week. With one less shopping day than in the corresponding week a year ago, because of the later date of Labor Day, sales volume was somewhat below the comparable 1952 level. The hot weather in many areas continued to discourage shopping.

While the response to back-to-school promotions improved somewhat as school openings became imminent, volume remained slightly less favorable than at this time last year. Trade in the resort areas was uniformly brisk.

Retail sales volume in the week was estimated by Dun & Bradstreet, Inc., to be from 4% below to unchanged from the level of a year ago. Regional estimates varied from the comparable 1952 level by the following percentages: New England —2 to —6; East —3 to —7; South and Northwest 0 to —4; Middle West —3 to +1; Southwest 0 to +4; Pacific Coast +2 to +6.

Consumers were often slow to react to the promotions of Fall apparel, particularly in the sections where temperatures were very high. There was a moderate pick-up in the consumer buying of children's apparel. While requests for bathing and beachwear increased somewhat, the interest in Fall suits, coats and sportswear lagged noticeably.

Filling stations and automobile accessory dealers reported a substantial expansion in sales as holiday travel increased. There was a slight spurt in volume at souvenir and novelty shops. Housewives in some areas increased their buying of household cleaning and decorating specialties in preparation for the usual Fall sprucing up. The consumer demand for household furnishings expanded noticeably in scattered areas.

Soft drinks and picnic specialties were among the most popular foods the past week. Retail food volume was slightly below previous levels as the hot weather diminished appetites for meats and the heavier foods. Fresh fruits and vegetables generally sold well. There was a slight dip in the demand for canned foods and dry groceries.

While buyer attendance at the wholesale centers dropped off noticeably in the period ended on Wednesday of the past week, there were numerous orders placed by telephone, telegraph, and mail.

Wholesale dollar volume was slightly below the levels of both a week ago and a year ago.

Re-orders for Fall merchandise were numerous, although some buyers restricted their purchasing until the consumer reaction to present stocks could be tested sufficiently.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index, for the week ended *Sept. 5, 1953, showed no change from the level of the preceding week. In the previous week a decrease of 9% was reported from that of the similar week of 1952. For the four weeks ended Sept. 5, 1953, a decline of 2% was reported. For the period Jan. 1 to Sept. 5, 1953, department store sales registered an increase of 4% above 1952.

Retail trade volume in New York last week suffered a decline of close to 15% below the volume for the like week in 1952. Consideration must be given to the fact that the Labor Day holiday was a full week earlier last year, coupled with the occurrence of the Jewish Holy Days on Thursday and Friday of the past week.

According to the Federal Reserve Board's index department store sales in New York City for the weekly period ended *Sept. 5, 1953, declined 18% from the like period of last year. In the preceding week a decrease of 12% (revised) was reported from that of the similar week of 1952, while for the four weeks ended Sept. 5, 1953, a decrease of 9% was reported. For the period Jan. 1 to Sept. 5, 1953, no change was registered from that of 1952.

***Labor Day in 1952 fell in the week ending Sept. 6, whereas this year it fell one week later. Therefore, the week ending Sept. 5, 1953, had one more trading day than the corresponding week last year.**

Shuman, Agnew Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Iver Lyche has been added to the staff of Shuman, Agnew & Co., 155 Sansome Street, members of the New York and San Francisco Stock Exchanges.

With E. D. Baring-Gould

(Special to THE FINANCIAL CHRONICLE)

SANTA BARBARA, Calif. — Marion F. Tilton has joined the staff of E. D. Baring-Gould Company, 19 East Canon Perdido St.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Sept. 20	§90.3	*89.2	95.9	102.1
Equivalent to—					
Steel ingots and castings (net tons)	Sept. 20	§2,036,000	*2,011,000	2,162,000	2,121,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Sept. 5	6,533,900	6,620,700	6,538,250	6,440,900
Crude runs to stills—daily average (bbls.)	Sept. 5	¶7,228,000	7,234,000	7,063,000	7,021,000
Gasoline output (bbls.)	Sept. 5	24,805,000	24,848,000	24,477,000	23,220,000
Kerosene output (bbls.)	Sept. 5	2,295,000	2,241,000	2,196,000	2,591,000
Distillate fuel oil output (bbls.)	Sept. 5	10,075,000	10,397,000	9,744,000	10,612,000
Residual fuel oil output (bbls.)	Sept. 5	9,148,000	8,226,000	8,576,000	8,822,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Sept. 5	142,850,000	143,287,000	143,319,000	116,830,000
Kerosene (bbls.) at	Sept. 5	35,901,000	34,725,000	31,681,000	33,223,000
Distillate fuel oil (bbls.) at	Sept. 5	120,974,000	*117,032,000	106,710,000	106,326,000
Residual fuel oil (bbls.) at	Sept. 5	51,030,000	50,912,000	49,488,000	53,275,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Sept. 5	799,079	818,461	785,349	746,882
Revenue freight received from connections (no. of cars)	Sept. 5	666,941	668,242	652,005	585,649
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Sept. 10	$320,985,000	$273,524,000	$311,332,000	$264,618,000
Private construction	Sept. 10	191,972,000	166,649,000	167,693,000	126,482,000
Public construction	Sept. 10	129,013,000	106,875,000	143,639,000	138,136,000
State and municipal	Sept. 10	109,153,000	74,087,000	116,636,000	84,816,000
Federal	Sept. 10	19,860,000	32,788,000	27,003,000	53,320,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Sept. 5	9,565,000	*9,745,000	9,365,000	9,199,000
Pennsylvania anthracite (tons)	Sept. 5	558,000	600,000	536,000	709,000
Beehive coke (tons)	Sept. 5	93,900	*94,800	90,700	60,300
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Sept. 5	100	100	92	100
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Sept. 12	7,962,823	8,694,301	8,513,782	7,654,324
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Sept. 10	131	178	150	91
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Sept. 8	4.634c	4.634c	4.634c	4.376c
Pig iron (per gross ton)	Sept. 8	$56.76	$56.76	$56.76	$55.26
Scrap steel (per gross ton)	Sept. 8	$37.17	*$38.67	$43.17	$42.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Sept. 9	29.675c	29.675c	29.700c	24.200c
Export refinery at	Sept. 9	28.675c	29.150c	29.450c	35.075c
Straits tin (New York) at	Sept. 9	83.000c	83.750c	78.750c	121.500c
Lead (New York) at	Sept. 9	14.000c	14.000c	14.000c	16.000c
Lead (St. Louis) at	Sept. 9	13.800c	13.800c	13.800c	15.800c
Zinc (East St. Louis) at	Sept. 9	10.500c	10.500c	11.000c	14.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Sept. 15	92.81	92.78	93.10	97.07
Average corporate	Sept. 15	103.30	103.30	104.14	109.60
Aaa	Sept. 15	107.44	107.62	109.06	114.08
Aa	Sept. 15	105.17	105.34	106.39	111.81
A	Sept. 15	102.96	102.96	103.13	109.24
Baa	Sept. 15	97.78	97.94	98.41	103.80
Railroad Group	Sept. 15	101.47	101.64	102.30	106.74
Public Utilities Group	Sept. 15	102.46	102.63	103.30	109.42
Industrials Group	Sept. 15	105.86	105.86	106.56	112.93
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Sept. 15	3.01	3.01	2.99	2.71
Average corporate	Sept. 15	3.55	3.55	3.50	3.19
Aaa	Sept. 15	3.31	3.30	3.22	2.95
Aa	Sept. 15	3.44	3.43	3.37	3.07
A	Sept. 15	3.57	3.57	3.56	3.21
Baa	Sept. 15	3.89	3.88	3.85	3.52
Railroad Group	Sept. 15	3.66	3.65	3.61	3.35
Public Utilities Group	Sept. 15	3.60	3.59	3.55	3.20
Industrials Group	Sept. 15	3.40	3.40	3.36	3.01
MOODY'S COMMODITY INDEX	Sept. 15	412.1	415.6	421.3	425.1
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Sept. 5	349,603	226,365	346,228	269,531
Production (tons)	Sept. 5	259,476	253,240	261,943	175,730
Percentage of activity	Sept. 5	98	98	98	72
Unfilled orders (tons) at end of period	Sept. 5	555,638	467,366	608,519	480,274
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Sept. 11	105.91	105.98	106.05	109.11
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—					
Number of orders	Aug. 29	23,919	20,045	21,635	19,632
Number of shares	Aug. 29	678,243	567,457	626,405	548,682
Dollar value	Aug. 29	$29,531,886	$26,657,998	$28,221,869	$25,125,125
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Aug. 29	19,764	18,316	20,029	18,101
Customers' short sales	Aug. 29	300	161	127	110
Customers' other sales	Aug. 29	19,464	18,155	19,902	17,991
Number of shares—Total sales	Aug. 29	573,909	513,958	547,472	489,697
Customers' short sales	Aug. 29	9,777	5,897	4,578	3,776
Customers' other sales	Aug. 29	564,132	508,061	542,894	485,921
Dollar value	Aug. 29	$22,136,838	$20,599,487	$21,535,810	$19,946,318
Round-lot sales by dealers—					
Number of shares—Total sales	Aug. 29	189,600	175,970	178,530	149,240
Short sales	Aug. 29	------	------	------	------
Other sales	Aug. 29	189,600	175,970	178,530	149,240
Round-lot purchases by dealers—					
Number of shares	Aug. 29	256,750	279,774	258,700	220,310
TOTAL ROUND-LOT STOCK SALES ON THE NEW YORK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total Round-lot sales—					
Short sales	Aug. 22	205,990	200,350	189,020	154,610
Other sales	Aug. 29	4,994,740	4,953,740	4,373,410	4,691,310
Total sales	Aug. 22	5,200,730	5,154,090	4,562,430	4,845,920
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Aug. 22	529,480	567,880	438,360	479,350
Short sales	Aug. 22	78,690	98,870	61,260	85,530
Other sales	Aug. 22	434,510	451,740	385,660	412,860
Total sales	Aug. 22	513,200	550,610	446,920	498,390
Other transactions initiated on the floor—					
Total purchases	Aug. 22	87,700	112,240	81,120	74,700
Short sales	Aug. 22	4,100	4,200	15,600	10,900
Other sales	Aug. 22	85,340	103,730	78,280	74,400
Total sales	Aug. 22	89,440	107,930	93,880	85,300
Other transactions initiated off the floor—					
Total purchases	Aug. 22	215,300	180,395	191,395	175,745
Short sales	Aug. 22	38,660	42,630	54,300	17,610
Other sales	Aug. 22	213,760	250,060	218,478	228,317
Total sales	Aug. 22	252,420	292,690	272,778	246,007
Total round-lot transactions for account of members—					
Total purchases	Aug. 22	832,480	860,515	710,875	729,795
Short sales	Aug. 22	121,450	145,700	131,160	114,120
Other sales	Aug. 22	733,610	805,530	682,418	715,577
Total sales	Aug. 22	855,060	951,230	813,578	829,697
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Sept. 8	110.3	110.3	110.5	111.4
Farm products	Sept. 8	96.5	95.9	96.3	107.2
Processed foods	Sept. 8	103.9	104.0	104.8	110.3
Meats	Sept. 8	89.3	*89.7	98.1	113.7
All commodities other than farm and foods	Sept. 8	114.7	114.7	114.8	112.6

*Revised figure. ¶Includes 678,000 barrels of foreign crude runs. §Based on new annual capacity of 117,547,470 tons as of Jan. 1, 1953 as against the Jan. 1, 1952 basis of 108,587,670 tons.

	Latest Month	Previous Month	Year Ago
AMERICAN PETROLEUM INSTITUTE—Month of June:			
Total domestic production (barrels of 42 gallons each)	217,321,000	217,861,000	203,227,000
Domestic crude oil output (barrels)	197,837,000	198,086,000	185,917,000
Natural gasoline output (barrels)	19,439,000	19,733,000	17,271,000
Benzol output (barrels)	45,000	42,000	39,000
Crude oil imports (barrels)	21,207,000	21,798,000	17,434,000
Refined products imports (barrels)	10,298,000	12,170,000	9,917,000
Indicated consumption domestic and export (barrels)	240,428,000	227,504,000	212,839,000
Increase all stocks (barrels)	8,398,000	24,325,000	17,739,000
BUSINESS INCORPORATIONS (NEW) IN THE UNITED STATES—DUN & BRADSTREET, INC.—Month of July	8,789	8,926	7,549
COTTON SEED AND COTTON SEED PRODUCTS—DEPT. OF COMMERCE—Month of July:			
Cotton Seed—			
Received at mills (tons)	113,485	43,605	78,225
Crushed (tons)	155,321	207,564	117,439
Stocks (tons) July 31	155,372	197,208	136,898
Crude Oil—			
Stocks (pounds) July 31	42,451,000	56,418,000	41,077,000
Produced (pounds)	55,418,000	74,529,000	41,143,000
Shipped (pounds)	72,884,000	103,821,000	58,454,000
Refined Oil—			
Stocks (pounds) July 31	928,561,000	935,273,000	361,320,000
Produced (pounds)	67,740,000	96,142,000	54,023,000
Consumption (pounds)	68,663,000	75,610,000	90,150,000
Cake and Meal—			
Stocks (tons) July 31	91,549	122,619	45,104
Produced (tons)	75,673	99,667	55,746
Shipped (tons)	106,743	117,945	69,588
Hulls—			
Stocks (tons) July 31	48,318	67,992	24,615
Produced (tons)	32,526	46,731	27,198
Shipped (tons)	52,200	60,916	33,257
Linters (running bales)—			
Stocks July 31	63,101	88,069	107,226
Produced	48,657	65,906	35,565
Shipped	73,625	85,290	76,405
Hull Fiber (1,000-lb. bales)—			
Stocks July 31	165	306	a
Produced	43	421	a
Shipped	184	730	a
Motes, Grabbots, etc. (1,000 pounds)—			
Stocks July 31	6,068	8,006	4,353
Produced	715	944	786
Shipped	2,653	3,007	2,409
(a) Not shown to avoid disclosures of individual figures.			
DEPARTMENT STORE SALES (FEDERAL RESERVE SYSTEM—1947-49 Average=100)—Month of August:			
Adjusted for seasonal variations	112	*112	112
Without seasonal adjustment	98	*89	98
EDISON ELECTRIC INSTITUTE:			
Kilowatt-hour sales to ultimate consumers—Month of May (000's omitted)	30,991,366	31,345,744	27,226,779
Revenue from ultimate customers—month of May	$549,247,000	$554,636,500	$486,409,900
Number of ultimate customers at May	48,856,021	48,711,061	47,435,936
EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—REVISED SERIES—Month of May:			
All manufacturing (production workers)	13,718,000	*13,762,000	12,726,000
Durable goods	8,193,000	*8,212,000	7,426,000
Nondurable goods	5,525,000	*5,550,000	5,300,000
Employment Indexes (1947-49 Avge.=100)—			
All manufacturing	110.9	111.3	102.9
Payroll Indexes (1947-49 Average=100)—			
All manufacturing	150.1	150.1	128.9
Estimated number of employees in manufacturing industries—			
All manufacturing	17,054,000	*17,081,000	15,855,000
Durable goods	10,108,000	*10,116,000	9,189,000
Nondurable goods	6,946,000	*6,965,000	6,666,000
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE — U. S. DEPT. OF LABOR—Month of July:			
Weekly earnings—			
All manufacturing	$71.51	*$71.63	$65.44
Durable goods	77.08	*77.42	69.55
Nondurable goods	63.60	63.36	60.68
Hours—			
All manufacturing	40.4	40.7	39.9
Durable goods	41.0	*41.4	40.2
Nondurable goods	39.5	39.6	39.4
Hourly earnings—			
All manufacturing	$1.77	*$1.76	$1.64
Durable goods	1.88	1.87	1.73
Nondurable goods	1.61	1.60	1.54
HOUSEHOLD VACUUM CLEANERS — STANDARD SIZE (VACUUM CLEANER MANUFACTURERS' ASSN.)—Month of July:			
Factory sales (number of units)	159,446	197,506	188,715
HOUSEHOLD WASHERS AND IRONERS — STANDARD SIZE — (AMERICAN HOME LAUNDRY MANUFACTURERS' ASSOCIATION)—Month of July:			
Factory sales of washers (units)	228,268	304,086	207,593
Factory sales of ironers (units)	9,626	12,529	15,025
Factory sales of dryers (units)	33,296	32,789	33,858
METAL OUTPUT (BUREAU OF MINES)—Month of May:			
Mine production of recoverable metals in the United States and Alaska:			
Gold (in fine ounces)	162,948	*144,024	151,084
Lead (in short tons)	28,905	*31,137	33,824
Silver (in fine ounces)	3,036,692	3,165,939	3,540,733
Zinc (in short tons)	46,839	*51,335	62,663
MOTOR VEHICLE FACTORY SALES FROM PLANTS IN U. S.—AUTOMOBILE MANUFACTURERS' ASSN.—Month of July:			
Total number of vehicles	705,075	661,992	211,782
Number of passenger cars	599,077	587,549	168,327
Number of motor trucks	105,622	74,063	43,231
Number of motor coaches	376	380	224
RAILROAD EARNINGS—CLASS I ROADS (ASSOCIATION OF AMERICAN RRs.)—Month of July:			
Total operating revenues	$925,949,189	$924,362,095	$790,718,295
Total operating expenses	701,399,387	688,949,438	634,398,332
Operating ratio	75.75	74.53	80.23
Taxes	$107,538,765	$114,518,138	$79,454,721
Net railway operating income before charges	94,427,908	99,672,829	61,161,231
Net income after charges (estimated)	71,000,000	79,000,000	39,000,000

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As We See It

from the limelight to lay plans and to await opportunity.

They are, however, now coming out of hiding and have begun a campaign to discredit the Eisenhower Administration and to win control of Congress next year. Their leader appears to be none other than ex-President Truman, who has in effect said that the time has come to "give 'em Hell." They are chortling over the resignation of Mr. Durkin—which, no doubt, they helped to engineer. The plan is to paint the Republican party—not the popular Eisenhower—as basically and irretrievably anti-everything that is good for the rank and file of the voters, and pro everything that is presumably good for the wealthy and successful. It is an old, old story, which Roosevelt and later Harry Truman for a time used with so much success.

Last Year's Results

Just how much it failed last year remains something of a question. The unworthy tactics of then President Truman, and the general popularity of the present President, of course, resulted in a landslide victory of a sort, but where the Republican party as such stands with the rank and file of the voters is still somewhat uncertain. The shrewd—or are they shrewd?—leaders of the Democratic machine well understand that it is members of Congress, not "Ike," who will be elected next year. These plain facts will have their effect upon members of Congress—as the Administration will quickly find when it begins its work early next year—if, indeed, it is not already well aware of it.

Needless to say, this is a most deplorable situation, and the part of the Democratic party can scarcely be regarded with other than contempt by thoughtful elements in the population. At the moment, the tactics center around an effort to convince the rank and file of the wage earners of the country that the Republican party is their enemy. Any attempt on the part of "the opposition" to aid or to stimulate the Administration to take constructive action—if, indeed, their ever was any—is now gone by the board. The old, old Taft-Hartley Act, which has for so long been carefully kept alive for purely political use, is being brought out and groomed for further heavy duty. Of course, there is no desire on the part of the opposition to have anything done now; indeed, such action would be the last thing they want.

The time is fast approaching, of course, when similar tactics will be employed in the case of agriculture. Already, the campaign is getting under way. Here, again, the main purpose of the bickering and the maneuvering is not really to do anything next winter to solve the agricultural problems of the nation, but to make it appear to the farmer that the Administration, or at all events, the Republican party, has no real interest in doing anything in the premises, while the Democratic party is bursting with eagerness to help the embattled farmer. Here, too, the Administration will find its problem to be not only to work out a sound and statesmanlike agricultural policy, but to be eternally combating innuendo and all other kinds of effort on the part of its political enemies to make the worse appear the better reason.

Trouble Also at Home

But it is not entirely an interparty struggle with which the Administration must contend. Its own party is badly divided. It has certain elements which are about as wild-eyed as the New Dealers. It likewise has a number of influential elements which never forget—and which, we sometimes think, never learn. They are the extremists at the other end—extremists without much understanding of basic issues. The President has been trying with some success, but often vainly, to get a harmonious working team together out of this rather heterogeneous mass. He has been having rather rough going. He will find it even harder now that the redoubtable Senator Taft is no longer among us.

On the brighter side of the picture is the fact that there is in the Democratic party a very substantial element which has as little sympathy with or faith in the New Deal or the Fair Deal as any man in the Republican ranks. Many of these, moreover, are very able men. They, or some of them, were much inclined toward candidate Eisenhower last year, and have been cooperative since. They are obviously still not much enamored of Mr. Truman and his cohorts. In some ways they are more to be depended upon than some of the members of President Eisenhower's party. There are certain political difficulties in the way of making full use of these Democrats, but it should be possible to find a *modus operandi.* We suspect that the Administration will find it necessary more and more to rely upon their aid.

But, however all this may be, the Administration must not for a moment give up or waver in its effort to get the country out of the mess the New Deal and Fair Deal have bequeathed us.

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U. S. Stake in World Trade

greatest creditor nation do not benefit particular groups at the expense of the national welfare, but we must also make sure that such changes do not place unequal burdens on particular groups.

* * *

"Through increasing two-way international trade and stimulating in every practical way the flow of private investment abroad we can strengthen the free world, including ourselves, in natural and healthy ways."

With this statement, it seems to me, the President went right to the heart of the matter.

We must be sanguine about the prospects of increasing dollar volume of imports very much at this time. Similarly, I believe the figures I have given you demonstrate that we are in no position to permit a substantial falling off in our exports. Our exports for the first half of 1953, exclusive of Mutual Security shipments, have fallen to $6.129 billion or 15.5% under the $7.256 billion, exported during the same period in 1952. 1953 **imports**, on the other hand have shown a 4% increase to $5.630 billion. The effect, of course, has been a narrowing of the so-called dollar gap.

I beg, however, to disagree with those economists who have hailed this recent diminishing in our export totals as being a contribution to the closing of the dollar gap. To me, reduced exports are no more a solution to our foreign trade problem than the guillotine is the solution for a headache. We have a basic problem concerning keeping imports up in order to in turn keep exports up. Let us not forget that in the years 1946-1952 we exported $123 billion and imported only $78 billion.

International Private Investment

This brings us squarely to a key point which is the free flow of international private investment.

It was the free flow of international private investment which in a nautral and healthy way helped to bring the United States itself to its present stature. All of you are familiar with the manner in which foreign investment contributed to the development of this country in the 19th century. Indeed, it was not until 1914 that we ceased being a debtor nation.

Foreign investors were encouraged to put their capital to work in the development of our industries, our railroads and our agriculture by reason of the fact that in this country they enjoyed the basic requiremnts of foreign investment, namely, confidence, convertibility and the anticipation of a higher return than could be had at home. The European investor had absolute confidence that his capital sent to our shores would receive the same legal protection as our own capital and that the dollar was freely convertible. I happen to share the view of the philosopher who stated that convertibility in currency is like virtue in a lady—a part of the definition If she isn't virtuous she's no lady, and if it isn't convertible it just isn't currency.

We see today a world-wide process of internal financial readjustment—France, Brazil and our own country are examples. This can and may lead temporarily to some shrinkage of foreign trade. But I feel quite strongly that this impact can be cushioned considerably by some positive action on the part of our government. The soundest way to maintain our large export volume for the time being is by exporting capital to foreign countries.

Based on my own experience in Latin America, I am firmly convinced that the capital investments of American companies, and I do not exclude the Grace organization, have made valuable contributions to the wealth of the national economies of the different countries. Our capital investments have supplied the Latin American countries with new products and have increased their productivity and thereby have raised the standard of living and strengthened mutual understanding. We have with us today in the person of Rudolph S. Hecht of the Mississippi Shipping Co. an example of the kind of pioneering in Latin America which has paid dividends both to our neighbor countries and to the Mississippi Valley. There are those who might object to the export of capital goods for the purpose of building up production in foreign countries. However, the experience of the Grace organization has been that the more of the basic necessities — textiles, paints, paper — we started manufacturing in a Latin American country the more the standard of living rose. This was accompanied by an increasing demand for those goods which had to be imported—automobiles and motors and office equipment, etc. In this experience lies the validity of the philosophy of the Point Four Program — the more the standard of living in sub-standard countries can be raised by investments in basic industries, the more can we expect an export demand for the more technical and highly developed finished goods of American industry.

For the future success of foreign investments, governments will have to abide by the rule of law and must not succumb to the easy way of fighting economic adversity by renewed inflation. I have great confidence that after the economic unheavals of two World Wars we will be entering a period of mutual respect in international economic relations.

Our company believes in investing in Latin America. We have invested or committed in Latin America since 1945, more than $27 million and we plan to go right on doing this. By and large the major stumbling block to an increasing flow of capital to Latin America lies in the uncertainty with regard to the eventual convertibility of both capital and income. Once the members of the free world have put their financial houses in order, I see no reason why international capital markets should not again fulfill their function of distributing capital on an international basis to those countries where investments yield the highest return. Obviously this should be the final goal of our national policy as alone it will bring about a prosperous free world.

Must Work for Free Convertibility of Currencies

But, meanwhile, I feel quite strongly that we, as the strongest nation in the world, must provide a mechanism which will help our friends to work towards the final goal of free convertibility of currencies. We need a transition period in which we help our friends to reach convertibility. It is for this reason that I want to call your attention to a plan I believe would pave the way for a great outflow of U. S. private capital to Latin America. I propose a United States Hemisphere Stabilization Fund. It would function as follows:

(1) The United States Government would create a capital fund of $1 billion to be increased by $100 million each subsequent year, if necessary, up to a maximum capital of $2 billion.

(2) This capital would be used to form the "Hemisphere Stabilization Fund" for the purpose of providing exchange convertibility to American companies operating in the other American Republics.

(3) The "Hemisphere Stabilization Fund" would operate in the territories mentioned above through appointed agents which would be branches of the American banks or where none exist, then selected local banks.

(4) The companies eligible to receive the facilities of the "Hemisphere Stabilization Fund" would be those at least 50% of whose capital is owned by American citizens or American corporations and which have been operating for at least a year in the corresponding territory. Oil companies, mining companies, or others which, by special agreements or local legislation, are entitled to special access to foreign exchange derived from their exports would not be entitled to the benefits of this plan.

(5) The eligible company, including the agents of the "Hemisphere Stabilization Fund," could:

(a.) Buy from the "Hemisphere Stabilization Fund" American dollars at the prevailing local bank rate of exchange for remittance of profits and amortization reserves.

The rate at which the "Hemisphere Stabilization Fund" would sell dollars to the American investor would be (a) the rate prevailing at the time the investment was made to cover amortization of the investment and (b) the going bank rate to cover profit remittances.

The American investor would have the right to purchase dollars on this basis up to a maximum of 15% per annum of the original investment. One-half of any dollars so purchased in any year would be purchased at the amortization rate and would be applied to amortization of the investment. The other half would be purchased at the going rate to cover profit remittances.

These provisions would protect the Fund against having long-term commitments to amortize the original investment at the original rate and would increase the rate of conversion of the amortization as the rate of return increased to protect the Fund under this heading.

(b) Obtain exchange in case of liquidation. American investors who might be forced into liquidation by losses or other reasons could also buy exchange from the "Hemisphere Stabilization Fund" to the extent of

the fraction of the final Net Worth belonging to such investors. The "Hemisphere Stabilization Fund" would sell dollars to them at the initial or "authorization" rate of exchange for the unamortized balance of the original investments, and at the going bank rate for the rest of their Net Worth.

(6) The local bank acting as agent for the "Hemisphere Stabilization Fund" would keep in custody for the "Hemisphere Stabilization Fund" the local currency delivered by the American investors in the exchange conversions, and, with the approval of the "Hemisphere Stabilization Fund" might:

(a) Invest the currency in physical gold.

(b) Buy American dollars.

(c) Lend the local currency, to American local companies at the prevailing rate of interest.

(d) Pay the "Hemisphere Stabilization Fund" the prevailing local rate of interest for long term deposits and use them freely for their own operations.

Thus, this would be a permanent, self-replenishing Fund, not to be dissipated in expenditure, but merely to provide convertibility and encourage an orderly return to orthodoxy in the field of international finance.

The Fund, over the years, would act as a catalyst in accelerating movement of capital into Latin America and would produce many times over its actual value. Its greatest function would be instilling confidence. The mere existence of the Fund would create the desired flow of private capital abroad and this in turn would go far to stabilize foreign currencies. Actual Fund operations, in the hands of experienced U. S. businessmen, would in all likelihood be kept down to a minimum.

Success in Fight Against Communism

Since the war we have handed out more than $35 billion mainly to build up the economic strength of our allies against the menace of communism. At the moment, it appears to me that the economic strength of the Western World has been immeasurably strengthened, while that of the Communist World seems to be weakening. Probably for the first time in history, laboring people have arisen against the tyrannny of a labor government. The pressure on Russia's Government is so great that it has felt obliged to permit increases in the production of consumer goods. That will mean a slow-down in the production of capital goods and probably armaments. While in Marxist theory the so-called capitalist world was supposed to crack first after this major war, it looks to me that the economic cracks are first appearing in the Communist World.

This, therefore, may be an historic moment which calls for positive action on our part. We the businessmen of America want to go out into the world and assume our own risks. We do not need government help if we have the assurance that we will be treated fairly. The prerequisite of a free flow of capital is convertibility of currencies. Toward that end I have proposed to you the creation of the "Hemisphere Stabilization Fund" for the sole purpose of an orderly transition. We do not want a deep deflation due to the sudden cessation of the flow of funds in international trade. We have learned in the past that such drastic measures are too costly in terms of unemployment and capital losses. A temporary stabilization fund of a half billion dollars would be a small price to pay for the sake of stimulating the flow of investments to foreign countries. Its cost would be insignificant in terms of the social implications of world-wide deflation.

Conclusion

The stake of United States business in foreign trade has many aspects. First and foremost U. S. business is most interested in a peaceful world. Businessmen can only plan and expand economically in a competitive world of peace. Business also has a great stake in financially soundly run countries which alone promise to lay the foundation for that kind of international financial relations which permit convertibility of currencies. In such a climate, the American businessman accepts the challenge of expanding exports.

I ask you to give the "Hemisphere Stabilization Fund" your sympathetic but nevertheless exhaustive analysis and study. I would appreciate your frank comments. Admittedly, it is novel. It may be daring, but it may do the job. It was Mississippi's own John Sharp Williams of Yazoo City who, in 1913 in a tariff debate on the floor of the Senate, gave the nation the bold phrase, "The daring of one generation becomes the policy of another and the legislative act of a third."

Today more than ever before I am convinced that the time has come for us to strike a blow for freer world trade and greater confidence in foreign investment. We may be standing now on the threshold of a new and richer era of world trade than our fathers of the 19th century ever dreamed of. The smashing victory for economic freedom which the German people registered in Sunday's election should cause us to take heart in this struggle. Germany since 1948 has granted economic freedom to its business community to an extent unknown to subjects of totalitarian states. Is not the German election the handwriting on the wall? Are not controls and restrictions on the way out? Let us show our faith in freedom by prompt and vigorous action.

Life Companies Increase Mortgage Investments

They took on over $2 billion of new mortgages during first half of year, which comprises 30% of their new investments during period.

According to the Institute of Life Insurance, more life insurance dollars went into the mortgage financing of homes, farms and other properties during the first half of this year than in the corresponding period of 1952, and the mortgages acquired by the life companies represented a larger share of their total new investments than in the similar period of either of the past two years.

The life insurance companies took on $2,144,000,000 of new mortgages during the six months ended June 30, these accounting for 30% of new investments made by the life companies in that period. In the first half of 1952, mortgage acquisitions were $1,973,000,000, or 27% of new investments. In 1951, the mortgages acquired by the life companies in the first six months totaled $2,915,000,000, but represented only 26% of new investments.

Large Volume FHA

With mortgages, as with all investments, the acquisitions do not all represent net increase in holdings, due to prepayments, refundings and maturities. In the first half of this year, the net increase in mortgage holdings was $976,000,000, only about half the total of new loans made. Two years ago, nearly two-thirds of the new writings represented increased holdings.

During the first six months of this year, FHA mortgages alone acquired by the life companies amounted to $443,000,000, which was about 5% more than acquisitions of this type in the like period of 1952. Today, their FHA mortgage holdings are $5,884,000,000, up $408,000,000 from a year ago and $4,468,000,000 more than in mid-1945. More than half a million homes have been financed by the life insurance companies under the FHA plan since World War II.

Adding the Veterans Administration mortgages to FHA, as both represent guaranteed home mortgages, the six-months' acquisitions this year total $613,000,000, which is $78,000,000 less than the corresponding figure a year ago. A decline in VA mortgage acquisitions was expected this year, however, as the great bulk of veteran financing under the G.I. Bill of Rights has been satisfied and also the recent rise in interest rates under such plans has increased the use of conventional mortgages by veterans. Even so, the life companies acquired $170,000,000 of VA mortgages in the first half of this year and held $3,396,000,000 of such mortgages at mid-year.

Big Gains Since War

The greatest increase in new mortgages since the start of this year has been in conventional mortgages, which are up 21% from a year ago. In the first half of this year, the life companies acquired $1,297,000 of such mortgages, a large part of which cover homes, though they include all commercial and industrial mortgages also. Total holdings of such mortgages at mid-year were $11,145,000,000, up $1,209,000,000 from a year ago.

Life insurance company holdings of mortgages on June 30 totaled $22,221,000,000, the Institute says. This is an increase of $15,600,000,000 since the end of World War II and represents nearly 30% of total life insurance assets.

Half-year investment figures of life insurance companies were reported as follows:

(000,000's Omitted)

	Acquired				Holdings	
	June, 1953	June, 1952	6 Mos., 1953	6 Mos., 1952	June 30, 1953	June 30, 1952
U. S. Government Securities	$308	$520	$1,760	$2,288	$10,030	$10,309
Foreign Government Securities	1	8	56	76	1,231	1,449
State, County, Mun. Bonds (U. S.)	12	10	97	50	1,195	1,095
Railroad Bonds (U. S.)	12	72	108	204	3,524	3,379
Public Utility Bonds (U. S.)	121	57	472	455	11,907	11,184
Industrial and Misc. Bonds (U. S.)	420	287	1,784	1,763	14,187	12,238
Stocks (U. S.): Preferred	9	14	73	60	1,530	1,480
Common	12	6	53	43	736	668
Foreign Corporate Securities	25	14	124	92	1,007	827
World Bank Bonds	--	1	--	26	130	119
Farm Mortgages: Veterans Admin.	--	--	--	--	25	28
Other	29	28	234	206	1,771	1,591
Non-Farm Mortgages: FHA	67	80	443	420	5,884	5,476
Veterans Administration	34	32	170	271	3,396	3,304
Other	229	204	1,297	1,076	11,145	9,936
Total Securities and Mortgages	$1,279	$1,333	$6,671	$7,030	$67,638	$63,083
Farm Real Estate	--	--	--	--	16	20
Other Real Estate	15	23	79	116	1,919	1,673
Policy Loans	49	42	280	271	2,789	2,646
Cash	--	--	--	--	924	1,056
Other Assets	--	--	--	--	2,057	1,856
Total Assets	--	--	--	--	$75,403	$70,334

Securities Salesman's Corner

By JOHN DUTTON

STATISTICS!

Quite a number of articles have been written by those who have successfully sold securities at retail that are concerned with the subject of talking over the heads of investors. Even so, this weakness, that is still quite prevalent among securities men can be discussed again to the possible advantage of the readers of this column. The strong habit that most investment men acquire after a few years in this business, of talking in terms that are unfamiliar to the lay public, is one of our greatest handicaps in reaching average people who might invest in stocks and who now use other mediums of investment. Sometimes, even though we do not intend to use unfamiliar terms, we do so by habit. Only through a conscious effort toward simplification can we achieve understanding.

The other evening I was among a group of friends and acquaintances and the subject veered around to "stocks." The group included a citrus grower, a physical education director, an executive of a spinning and weaving mill, an insurance agent, a retail grocer, three housewives and two other women who held office positions. This was a fairly representative little group of people. Only one had ever bought common stocks and the amount held represented only a small percentage of his estate. It was not surprising to me to discover that all these people had been laboring under the impression for many years that common stocks were vehicles that were primarily used for gambling purposes. When I made the statement that people were looking for more income in order to keep up with the advancing cost of living everyone listened with careful attention. When I said that investment brokers today were trying to help people obtain understanding about the ways which could be used to increase their income, they continued to show much interest. When I said, "In the old days when people only thought of stocks as something to buy today so they could sell them tomorrow, stocks were only something to gamble with," everyone in the room nodded in agreement. When I continued. "But today we are selling stocks (and you know stocks are nothing more than shares in a business, just like shares in your mill, or your grocery) to people who want to keep these investments and obtain the income from them, just like you do with a good piece of income producing real estate or a good farm," that sort of talk went home.

When I got to this point concerning income one of the men men said he thought it was a wonderful idea, almost to say that it was something new; and yet we have been advocating this in the investment business for quite a long time if I remember correctly. Then one of the men told how large a corporation had been selling stocks to its employees, and how another firm with a factory right near by had to do the same thing because the employees in the first firm were sold on the idea and its benefits. We even got around to a discussion of how these things help to encourage private enterprise and enlightened capitalism. Nearly everyone joined in the conversation because they found the subject was interesting and they could express themselves in a non-technical way.

I am very certain that if you will confine your discussion of investments primarily to a series of questions concerning what people want in the way of increasing income, or adding to their capital through growth, that you will find that selling securities will be much more profitable than if you try and sell statistics. I sometimes look back on a man I once knew who frankly did not know enough about securities to qualify in this business. However, it was a long time ago, and even then he had the benefit of a good buying department and a conservative firm to guide him. But he did know people and he knew how to talk with them.

He had been a very good (wholesale) shoe salesman in his younger days—in truth he was about the nearest thing to the old-time drummer you could imagine. He admitted to me that he didn't know anything about trust indentures, markets, statistics or economics. He said it was all over his head and he didn't want to know these things even if he was smart enough to grasp it. He said that would cramp his style. All he wanted to know was where he could find the people who needed income.

In those days we sold mostly bonds yielding about $% (and no income tax amounting to anything existed then). He would get on the telephone and he would say something like this, "Hello, Charley, how's the wife and kids?" Then he would chat a little while longer and he would offer some new issue that we were selling. About all that Charley would ask him would be. "Do you think they're any good?" He would reply. "you know I wouldn't offer them to you unless they were good. I've got five set aside for you and I think you ought to take them." Nine times out of ten Charley would take them.

When I look back on those days and remember how that fellow sold securities, I belive that he had it all over most of us today who go around trying to pose as pretty smart fellows who know all the terms and the fancy words that clutter up the investment business. I have nothing against knowledge—I believe that the more a man knows about his business the more it reinforces his confidence. And properly used it gives any good salesman opportunities for **Developing Sales** that would otherwise be lost. But my old friend the ex-shoe salesman learned his selling in the days when you made friends of your customers, you let them do at least half of the talking, you got to know their families and their way of living, you talked with them not down to them, and you told them what the stuff would do for them, **Not How It Was Put Together.**

If you can say it in ten words then do so—if you can cut it down to five so much the better—but in the securities business we have been saying in hundreds of words what might be better said in five or ten. Look at the prospectus—look at the statement of policy—look at the literature we write—look at the ads and the words we use when we write them—look at the good old public—all they want is a place to put their savings where it will pay them liberal income and grow. Can't we stick to that? At least, let's keep it simple and give them a chance to follow us. Maybe we can lead a few million more good American savers into becoming **Shareholders in American Business.**

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

Acteon Gold Mines Ltd., Vancouver, B. C., Can.
April 22 filed 250,000 shares of common stock (no par). **Price** — $1 per share (net to company). **Proceeds** — To purchase equipment and supplies. **Underwriter**—M. H. B. Weikel, Los Angeles, Calif.

★ Air Research & Exploration, Inc.
Sept. 8 (letter of notification) 392 shares of common stock (no par). **Price**—$100 per share. **Proceeds**—For equipment for aerial research and exploration necessary in a bi-polar flight. **Office** — 458-57th St., Brooklyn 20, N. Y. **Underwriter**—None.

★ Alaska Plywood Corp., Juneau, Alaska
Sept. 11 (letter of notification) 1,000 shares of common stock (par $100) and 36 shares of 4% non-voting cumulative preferred stock (par $2,500). **Price**—At par. **Proceeds**—For working capital. **Office**—489 South Franklin St., Juneau, Alaska. **Underwriter**—None.

American Independence Life Insurance Co., Houston, Texas.
July 14 filed 50,000 shares of preferred stock (no par) and 50,000 shares of common stock (no par) to be offered to commissioned officers of the uniformed services of the United States in units of five shares of each class of stock. **Price**—$495 per unit. Payment may be made in 36 equal monthly instalments of $13.75 each. **Proceeds** — For general corporate purposes. **Underwriter**—None.

American-Israeli Cattle Corp., Beverly Hills, Cal.
Aug. 24 filed 100,000 shares of class A common stock. **Price**—At par ($10 per share). **Proceeds**—To establish and develop a cattle industry in Israel. **Underwriter**—None.

Applied Science Corp. of Princeton
May 21 filed $750,000 of 6% guaranteed sinking fund 10-year debenture notes due April 30, 1963, of this company and 75,000 shares of common stock (par one cent) of Bradco, Inc., to be offered in units of $100 of notes and 10 shares of stock. **Price**—$105 per unit. **Proceeds**—For acquisition of stock of two companies, who will borrow the remainder to repay bank loans and for working capital. **Underwriter** — C. K. Pistell & Co., Inc., New York. **Offering**—Temporarily deferred.

★ Arcoa, Inc., Portland, Ore.
Sept. 15 filed $2,000,000 of "U-Haul fleet owner contracts" to be offered to any person or corporation having the legal ownership of a fleet of 30 or more rental trailers and hitches meeting certain specifications prescribed by Arcoa. The fleet owner receives 35% of the gross rental income from his trailers. **Business**—Rental of trailers. **Underwiter**—None.

Armstrong Rubber Co.
March 31 filed $4,000,000 of 5% convertible subordinated debentures due May 1, 1973. **Price**—To be supplied by amendment **Proceeds**—For working capital. **Business**—Manufacturer of tires and tubes. **Underwriter**—Reynolds & Co., New York. **Offering**—Temporarily postponed.

★ Beaver Dam Petroleum Corp. (Pa.)
Sept. 9 (letter of notification) 2,500 shares of capital stock. **Price**—At par ($10 per share). **Proceeds**—To finance drilling of second well. **Office**—Beaver Dam, Pa. **Underwriter**—None.

★ Boulevard East Terrace Apartments, Inc.
Sept. 9 (letter of notification) 18,000 shares of capital stock. **Price**—At par ($1 per share). **Proceeds**—For part of cost of constructing a housing project. **Office** — 26 Journal Square, Jersey City, N. J. **Underwriter**—None.

Byrd Oil Corp., Dallas, Tex.
Oct. 22 filed $1,750,000 of 10-year 5½% convertible sinking fund mortgage bonds due Nov. 1, 1962, to be offered for subscription by common stockholders at the rate of $100 of bonds for each 28 shares of stock held (for a 14-day standby). Certain stockholders have waived their rights. **Price**—At par. **Proceeds**—To repay $1,014,500 of outstanding notes and for drilling expenses and working capital. **Underwriters**—Dallas Rupe & Son, Dallas, Tex.; Carl M. Loeb, Rhoades & Co., New York; and Straus, Blosser & McDowell, Chicago, Ill. **Offering**—Postponed

California Central Airlines, Inc.
Aug. 24 filed $600,000 of 7% convertible equipment trust certificates, series A, due Sept. 1, 1957, and 400,000 shares of common stock (par 50 cents). **Price**—100% of principal amount for certificates and 75 cents per share for stock. **Proceeds**—To acquire five Martinliners and the spare parts. **Office**—Burbank, Calif. **Underwriters**—Gearhart & Otis, Inc., New York; and McCoy & Willard, Boston, Mass.

Carolina Telephone & Telegraph Co.
Aug. 17 filed 33,320 shares of capital stock to be offered for subscription by stockholders of record Sept. 16 in the ratio of one new share for each five shares held; rights to expire about Oct. 6. **Price**—At par ($100 per share). **Proceeds**—To reduce short-term notes. **Underwriter**—None.

● Carrier Corp., Syracuse, N. Y. (9/23)
Sept. 3 filed 169,473 shares of cumulative preferred stock (par $50), which was amended Sept. 16 to cover a maximum of 296,578 shares of common stock (par $10) to be offered for subscription by common stockholders of record Sept. 22 on the basis of one new share for each four shares held; rights to expire on Oct. 7. **Price**—To be supplied by amendment. **Proceeds**—About $8,500,000 or over, for expansion program. **Underwriters** — Harriman Ripley & Co., Inc. and Hemphill, Noyes & Co., both of New York.

Cascade Natural Gas Corp., Seattle, Wash.
Aug. 25 (letter of notification) 35,000 shares of common stock (no par). **Price**—$4.50 per share. **Proceeds**—For retirement of notes and certain stockholders' shares. **Office**—407 Securities Bldg., Seattle, Wash. **Underwriter**—None.

Central Hudson Gas & Electric Corp.
Aug. 11 filed 159,978 shares of common stock (no par), of which 139,978 shares are being offered for subscription by stockholders of record Sept. 9 at rate of one new share for each 15 shares held (with an oversubscription privilege), with rights to expire Sept. 25. The remaining 20,000 shares are offered to employees. **Price**—$11.25 per share. **Proceeds**—To retire bank loans and for construction program. **Underwriters** — Kidder, Peabody & Co. and Estabrook & Co. (jointly).

DeKalb & Ogle Telephone Co., Sycamore, Ill.
June 24 (letter of notification) 25,695 shares of common stock, to be offered for subscription by stockholdes at the rate of one new share for each four shares held. **Price**—At par ($10 per share). **Proceeds**—To construct telephone exchange. **Office**—112 West Elm St., Sycamore, Ill. **Underwriter**—None.

Duke Power Co., Charlotte, N. C.
July 30 filed 208,321 shares of common stock (no par) being offered for subscription by stockholders of record Sept. 2, 1953 on the basis of one new share for each 20 shares held (with an oversubscription privilege); rights to expire on Sept. 18. **Price**—$30 per share. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—None.

Duquesne Light Co. (9/17)
Aug. 19 filed 100,000 shares of preferred stock (par $50). **Proceeds**—To reduce bank loans and for new construction. **Underwriters** — To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Kuhn, Loeb & Co. and Smith, Barney & Co. (jointly); Blyth & Co., Inc.; Lehman Brothers. **Bids**—To be received up to 11 a.m. (EDT) on Sept. 17, with public offering on Sept. 18.

Duquesne Light Co. (9/22)
Aug. 19 filed $12,000,000 of first mortgage bonds due Sept. 1, 1983. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Drexel & Co. and Equitable Securities Corp. (jointly); Kuhn, Loeb & Co., Union Securities Corp. and A. C. Allyn & Co., Inc. (jointly); Glore, Forgan & Co.; White, Weld & Co.; Harriman Ripley & Co., Inc. **Bids**—to be received up to 11 a.m. (EDT) on Sept. 22, with public offering on Sept. 24.

Eagle Super Markets, Inc., Moline, Ill.
May 21 (letter of notification) 25,000 shares of 6% preferred stock. **Price**—At par ($10 per share). **Proceeds**—To redeem first preferred stock and for working capital. **Office**—2519 Fourth Ave., Moline, Ill. **Underwriter**—Harry Hall Co., Safety Bldg., Rock Island, Ill

★ Engelberg Huller Co., Inc., Syracuse, N. Y.
Sept. 14 (letter of notification) 3,000 shares of capital stock (par $10) to be offered by company for subscription by stockholders on the basis of three new shares for each 10 shares held. Rights will expire on Sept. 30. **Price**—$25 per share. **Proceeds**—From sale of stock, plus $150,000 from loan to insurance firm, to finance purchase of abrasive belting grinding business of Porter-Cable Machine Co. **Office** — 831 West Fayette, St., Syracuse, N. Y. **Business**—Manufactures and distributes coffee and rice processing machinery. **Underwriter**—None.

Excelsior Insurance Co. of New York
Aug. 26 (letter of notification) 30,000 shares of capital stock (par $6) to be offered for subscription by stockholders of record Sept. 16 at rate of one new share for each four shares held; rights to expire Oct. 5. **Price**—$10 per share. **Proceeds** — For working capital. **Office**—Syracuse Savings Bank Bldg., Syracuse, N. Y. **Underwriter**—None.

Fairway Foods, Inc., St. Paul, Minn.
May 8 filed $1,600,000 first mortgage lien 4½% bonds to mature $40,000 annually from 1955 to 1994, inclusive. **Price**—At 100% of principal amount. **Proceeds**—To construct new warehouse. **Underwriter**—None.

Fallon Gas Corp., Denver, Colo.
June 25 (letter of notification) 3,616,000 shares of Class A common stock. **Price**—At par (five cents per share). **Proceeds**—For drilling wells. **Office**—528 E and C Bldg.,

NEW ISSUE CALENDAR

September 17 (Thursday)
Duquesne Light Co. ... Preferred
(Bids 11 a.m. EDT) $5,000,000

September 18 (Friday)
New York State Electric & Gas Co. ... Common
(The First Boston Corp.; Lehman Brothers; Wertheim & Co., and Merrill Lynch, Pierce, Fenner & Beane) 337,118 shares
Stifel (J. L.) & Sons ... Common
(Fulton, Reid & Co.) $300,000

September 21 (Monday)
Pacific Gas & Electric Co. ... Common
(Offering to stockholders—underwriter may be Blyth & Co., Inc.) 1,946,829 shares

September 22 (Tuesday)
Duquesne Light Co. ... Bonds
(Bids 11 a.m. EDT) $12,000,000
Greer Hydraulics, Inc. ... Debentures
(Burnham & Co.) $1,500,000
Northern Natural Gas Co. ... Preferred
(Blyth & Co., Inc.) $25,000,000
Working Capital, Inc. ... Common
(Offering by company—no underwriting) 148,700 shares

September 23 (Wednesday)
Carrier Corp. ... Common
(Offering to stockholders—Harriman Ripley & Co., Inc. and Hemphill, Noyes & Co.) 296,578 shares

September 24 (Thursday)
National Bank of Detroit ... Common
(May be Morgan Stanley & Co.) 313,200 shares
United States Air Conditioning Corp. ... Common
(Mortimer B. Burnside & Co., Inc. and George F. Breen) 320,000 shares

September 25 (Friday)
Central-Penn National Bank of Phila. ... Common
(Stroud & Co., Inc.) $3,723,750

September 28 (Monday)
Worcester Gas Light Co. ... Bonds
(Bids noon EST) $3,000,000

September 29 (Tuesday)
General Controls Co. ... Common
(Dean Witter & Co.) 100,000 shares
Hawaii (Territory of) ... Bonds
(Bids 10 a.m. EST) $5,500,000
Indiana & Michigan Electric Co. ... Bonds
(Bids 11 a.m. EST) $15,000,000
International Bank for Reconstruction and Development ("World Bank") ... Bonds
(Morgan Stanley & Co. and The First Boston Corp.) $75,000,000
Miracle Hinge, Inc. ... Preferred & Common
(Walter Aronheim) $220,000

October 1 (Thursday)
Kansas Gas & Electric Co. ... Preferred
(Underwriters to be named) $5,000,000
Minerals Processing Co. ... Common
(Allen E. Beers Co.) $296,000
New England Gas & Electric Association ... Common
(Offering to stockholders—The First Boston Corp. to be dealer-manager) 194,916 shares

October 2 (Friday)
Southern New England Telephone Co. ... Common
(Offering to stockholders—no underwriting) 400,000 shares

October 6 (Tuesday)
Mississippi Power Co. ... Bonds
(Bids 11 a.m. EST) $4,000,000

October 7 (Wednesday)
Iowa Electric Light & Power Co. ... Common
(The First Boston Corp. and G. H. Walker & Co.) 230,000 shares

October 8 (Thursday)
Rockland Light & Power Co. ... Common
(Offering to stockholders—underwritten by Merrill Lynch, Pierce, Fenner & Beane) 210,721 shares

October 13 (Tuesday)
Rockland Light & Power Co. ... Bonds
(Bids to be invited) $8,000,000

October 20 (Tuesday)
American Fidelity & Casualty Co. ... Preferred
(Geyer & Co) $750,000
Public Service Electric & Gas Co. ... Common
(Probably Morgan Stanley & Co.; Drexel & Co., and Glore, Forgan & Co.) 800,000 shares

October 27 (Tuesday)
Public Service Electric & Gas Co. ... Bonds
(Bids may be invited) $30,000,000

December 1 (Tuesday)
Monongahela Power Co. ... Bonds
(Bids to be invited) $10,000,000

Denver, Colo. **Underwriter**—E. I. Shelley Co., Denver, Colo.

★ Florida Power Corp., St. Petersburg, Fla.
Sept. 11 filed 211,416 shares of common stock (par $7.50) to be offered for subscription by common stockholders at rate of one new share for each 10 shares held (with a 14-to-17 day standby). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriters** — Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane, both of New York.

General Controls Co., Glendale, Calif. (9/29)
Sept. 8 filed 100,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Underwriter**—Dean Witter & Co., San Francisco, Calif.

● General Credit, Inc., Washington, D. C. (9/21-24)
Aug. 24 filed 150,000 shares of participating preference stock (par $1) and 150,000 shares of common stock (par five cents), to be offered in units of one share of each class of stock. **Price**—$5 per unit. **Proceeds**—For working capital. **Underwriter** — John R. Boland, New York.

General Hydrocarbons Corp.
Aug. 12 filed $1,010,800 of 20-year debentures and 66,424 shares of common stock (par $1) to be offered in units of $350 principal amount of debentures and 23 shares of stock. **Price**—$359 per unit ($336 for the debentures and $1 per share for the stock). **Proceeds**—For general corporate purposes. **Business** — Oil and gas development. **Underwriter**—None. **Office**—Oklahoma City, Okla.

Grand Bahama Co., Ltd., Nassau
Feb. 3 filed $1,350,000 20-year 6% first mortgage convertible debentures due March, 1973, and 1,565,000 shares of class A stock (par 10 cents). **Price**—Par for debentures and $1 per share for stock. **Proceeds** — For new construction. **Business** — Hotel and land development. **Underwriter**—Gearhart & Otis, Inc., New York.

Gray Manufacturing Co., Hartford, Conn.
May 1 filed 55,313 shares of capital stock (par $5) to be offered for subscription by stockholders on the basis of one new share for each four shares held. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Underwriter** — None. **Offering** — No definite plan adopted.

● Greer Hydraulics, Inc. (9/22-23)
Aug. 24 filed $1,500,000 of 5½% convertible sinking fund debentures, due Sept. 1, 1965. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Office**—Brooklyn, N. Y. **Underwriter** — Burnham & Co., New York.

Gulf Coast Leaseholds, Inc., Houston, Tex.
July 31 (letter of notification) 60,009 shares of 6¼% cumulative convertible class A stock (par $4) to be offered for subscription by common stockholders at rate of one class A share for each three common shares held. **Price**—$5 per share. **Proceeds**—For working capital, etc. **Underwriter**—Leason & Co., Inc., Chicago, Ill.

Hedges Diesel, Inc. (N. J.)
Aug. 24 (letter of notification) 10,000 shares of Class A common stock and 20,000 shares of Class B common stock. **Price**—At par ($10 per share). **Proceeds**—To erect plant and for new equipment, and working capital. **Office**—Marlton, N. J. **Underwriters**—None.

Hunter Creek Mining Co., Wallace, Idaho
June 2 (letter of notification) 160,000 shares of common stock. **Price**—25 cents per share. **Proceeds**—For operating capital. **Office** — 509 Bank St., Wallace, Idaho. **Underwriter**—Mine Financing, Inc., Spokane, Wash.

● Illinois Bell Telephone Co.
Aug. 14 filed 568,703 shares of capital stock being offered for subscription by stockholders of record Sept. 3 on the basis of one new share for each six shares held; rights to expire on Oct. 1. A total of 3,388,832 shares (99.31%) of the outstanding stock is owned by American Telephone & Telegraph Co. **Price**—At par ($100 per share). **Proceeds**—To repay advances from parent. **Underwriter**—None.

Indiana & Michigan Electric Co. (9/29)
Aug. 28 filed $15,000,000 of first mortgage bonds due Sept. 1, 1983. **Proceeds**—From sale of bonds and private sale of $7,000,000 of cumulative preferred stock, to be used to prepay bank loans and for additions and improvements to property. **Underwriters**—For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co.; Union Securities Corp.; Harriman Ripley & Co. Inc. **Bids**—To be received up to 11 a.m. (EST) on Sept. 29.

Inland Western Loan & Finance Corp., Phoenix, Ariz.
July 2 filed 2,500,000 shares of class A non-voting common stock (par $1) to be offered to present and future holders of Special Participating Life Insurance Contracts issued by Commercial Life Insurance Co. of Phoenix. **Price**—$1.50 per share. **Proceeds** — To develop and expand company's loan and finance business. **Underwriter**—None. An additional 300,000 shares have been and are being offered for sale in Arizona at $1 per share to holders of Commercial's special participating contracts, the proceeds of which are to be used to activate the company in the loan and finance business.

Ionics, Inc., Cambridge, Mass.
June 30 filed 131,784 shares of common stock (par $1) **Price**—To be supplied by amendment (between $8 and $9 per share). **Proceeds**—To pay mortgage debt and for equipment. **Business** — Research and development and subsequent commercial exploitation in the field of ion exchange chemistry. **Underwriter**—Lee Higginson Corp., New York and Boston (Mass.). **Offering**—Date indefinite.

★ Iowa Electric Light & Power Co. (10/7)
Sept. 15 filed 230,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds** — For construction program. **Underwriters**—The First Boston Corp. and G. H. Walker & Co. of New York.

★ Kansas Gas & Electric Co. (10/1)
Sept. 11 filed 50,000 shares of preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be supplied by amendment. Bidders for last preferred stock issue were: Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Lehman Brothers; Union Securities Corp.; White, Weld & Co. and Shields & Co. (jointly); Blyth & Co. Inc.

★ Kansas Gas & Electric Co.
Sept. 11 filed $10,000,000 first mortgage bonds due Oct. 1, 1983. **Proceeds**—To reduce bank loans and for construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey,, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Blyth & Co., Inc. and The First Boston Corp. (jointly); Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Glore, Forgan & Co. and Goldman, Sachs & Co. (jointly); Union Securities Corp. and Stone & Webster Securities Corp. (jointly); Harriman Ripley & Co., Inc. **Bids**—Expected early in October.

Kenwell Oils & Mines Ltd., Toronto, Canada
Aug. 20 filed 1,400,000 shares of common stock (par $1). **Price** — To be supplied by amendment. **Proceeds**—For working capital and general corporate purposes. **Underwriter**—To be supplied by amendment.

● Liquor Register, Inc., Roslindale, Mass.
July 3 (letter of notification) 2,100 shares of common stock (par $5). **Price**—$16.50 per share. **Proceeds**—For working capital for device to dispense and record drinks. **Office**—596 Poplar St., Roslindale, Mass. **Underwriter**—Coburn & Middlebrook, Inc., Boston, Mass. No general offering planned.

Lone Star Sulphur Corp., Wilmington, Del.
May 8 filed 600,000 shares of common stock (par 5 cents) to be offered for subscription by common stockholders of record May 8 on a share-for-share basis "as a speculation." **Price**—To be supplied by amendment. **Proceeds**—For expansion program. **Underwriter**—None.

★ Longstreet-Abbott & Co., Clayton, Mo.
Sept. 9 (letter of notification) $300,000 of contracts of participation in the Commodity Syndicate. **Proceeds**—For various activities associated with trading in agricultural commodities. **Office** — 7 North Brentwood Blvd., Clayton, Mo. **Underwriter**—None.

● Louisiana Power & Light Co.
Aug. 12 filed $12,000,000 first mortgage bonds due 1983. **Proceeds**—To repay $11,342,500 of short-term debt and for new construction. **Underwriters**—White, Weld & Co. and Shields & Co. were awarded the issue on Sept. 16 on a bid of 100.061. Reoffering is planned at 100.75 to yield 3.955%.

Marco Industries, Inc., Depew, N. Y.
Aug. 7 (letter of notification) 24,990 shares of common stock (par $5) to be offered pro rata for subscription by common stockholders. **Price**—$12 per share. **Proceeds**—To pay off loans on machinery and equipment and certain non-trade accounts payable and for working capital. **Business** — Manufactures fractional horsepower electric motors. **Office**—786 Terrace Blvd., Depew, N. Y. **Underwriter**—None.

McCarthy (Glenn), Inc.
June 12 filed 10,000,000 shares of common stock (par 25 cents). **Price**—$2 per share. **Proceeds**—For drilling of exploratory wells, acquisition of leases and for general corporate purposes. **Underwriter**—B. V. Christie & Co., Houston, Tex. **Dealer Relations Representative**—George A. Searight, 50 Broadway, New York, N. Y. Telephone WHitehall 3-2181. **Offering**—Date indefinite.

● Merritt-Chapman & Scott Corp., New York
Aug. 20 filed 45,912 shares of common stock (par $12.50) being offered in exchange for 57,389 shares of common stock (no par) of Fitz Simons & Connell Dredge & Dock Co. on an eight-for-ten basis. It is proposed to acquire not less than 80% of said Fitz Simons & Connell shares. Offer will expire on Oct. 10. **Underwriter**—None.

Michigan Consolidated Gas Co.
May 15 filed $20,000,000 of first mortgage bonds due 1978. **Proceeds**—From sale of bonds, plus proceeds from sale of 215,000 shares of common stock (par $14) to American Natural Gas Co., parent, for $3,010,000, to be used to repay bank loans and for construction program. **Bids**—A group headed jointly by Halsey, Stuart & Co., Inc., Harriman Ripley & Co., Inc. and Union Securities Corp. entered the only bid on June 15 for the securities—100.125 for 5s. This bid was rejected. Reoffering had been planned at 101.875 to yield 4.87%. July 6 company sought SEC authority to borrow $20,000,000 from banks on 3¼% notes pending permanent financing.

● Minerals Processing Co., Franklin, N. C. (10/1)
Aug. 24 (letter of notification) 740,000 shares of common stock (par 10 cents). **Price**—40 cents per share. **Proceeds**—For equipment, leases, etc., and working capital. **Underwriter**—Allen E. Beers Co., Philadelphia, Pa.

★ Miracle Hinge, Inc., Monticello, N. Y. (9/29)
Sept. 14 (letter of notification) 200,000 shares of 7% cumulative preferred stock (par $1) and 200,000 shares of common stock (par one cent) to be offered in units of one share of each class of stock. **Price**—$1.10 per unit. **Proceeds** — For plant improvements, payment of debt, inventory and working capital. **Underwriter** — Walter Aronheim, New York.

Mississippi Power Co. (10/6)
Sept. 4 filed $4,000,000 of first mortgage bonds due Oct. 1, 1983. **Proceeds** — For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp.; Equitable Securities Corp. and Drexel & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co.; The First Boston Corp. **Bids**—Expected to be received up to 11 a.m. (EST) on Oct. 6 at Suite 2000, 20 Pine St., New York 5, N. Y.

Muntz TV Inc., Chicago, Ill.
June 19 (letter of notification) 12,000 shares of common stock (par $1). **Price**—At market (about $3.25 per share). **Proceeds**—To Earl W. Muntz, President. **Underwriter**—L. D. Sherman & Co., New York.

National Dairy Products Corp., New York
Sept. 1 filed 110,530 shares of common stock (par $10) to be offered to certain key employees of the corporation and its subsidiaries pursuant to options granted under the Employees' Stock Option Plan. **Price**—$51.95 per share. **Proceeds**—For general corporate purposes. **Underwriter**—None.

New England Gas & Electric Ass'n (10/1)
Sept. 2 filed an unspecified number of common shares of beneficial interest (par $8) to be offered for subscription by common stockholders of record Sept. 29, 1953, on the basis of one new share for each 10 shares held (with an oversubscription privilege) (1,949,160 shares were outstanding June 30, 1953, but conversions of preferred stock prior to the record date may increase the then outstanding shares). Rights will expire on Oct. 16. Subscription rights may be mailed on Oct. 1. **Price**—To be supplied by amendment. **Proceeds** — To retire bank loans, and increase investments in subsidiary, including Worcester Gas Light Co. **Dealer-Manager**—The First Boston Corp., New York.

New York State Electric & Gas Corp. (9/18)
Aug. 28 filed 337,118 shares of common stock (no par) to be offered for subscription by common stockholders of record Sept. 17 at rate of one new share for each eight shares held; rights will expire Oct. 5. **Price**—To be supplied by amendment. **Proceeds** — To repay bank loans and for new construction. **Underwriter**—The First Boston Corp.; Lehman Brothers; Wertheim & Co.; and Merrill Lynch, Pierce, Fenner & Beane; all of New York.

North Idaho Mines, Inc., Kellogg, Ida.
July 31 (letter of notification) 400 shares of common stock (no par). **Price**—$125 per share. **Proceeds**—For exploration. **Address**—Box 298, Kellogg, Idaho. **Underwriter**—Robert G. Sparling, Seattle, Wash.

Northern Illinois Corp., DeKalb, Ill.
Sept. 4 (letter of notification) 12,500 shares of $1.50 cumulative preferred stock (no par), to be offered to certain company stockholders. **Price**—$24 per share. **Proceeds**—For working capital. **Office**—112 E. Locust St., DeKalb, Ill. **Underwriter**—None.

Northern Natural Gas Co., Omaha, Neb. (9/22)
Sept. 2 filed 250,000 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriter** — Blyth & Co., Inc., New York and San Francisco.

★ Orange Community Hotel Co., Orange, Texas
Sept. 14 filed 8,333 shares of capital stock (par $20) and 8,333 registered 4% debentures due Jan. 1, 1984 of $100 each to be offered in units of one share of stock and one $100 debenture. **Price**—$120 per unit. **Proceeds**—To construct and equip hotel building. **Underwriter** — None. (Subscriptions to 4,949 shares of stock and 4,949 debentures are held by a group of citizens of Orange formed under the auspices of the Orange Chamber of Commerce.)

Overland Oil, Inc., Denver, Colo.
June 10 filed 600,000 shares of common stock (par 10¢) to be offered for subscription by stockholders (except the original incorporators) at rate of one new share for each two shares held. **Price**—40 cents per share. **Proceeds**—For working capital. **Underwriter**—None.

Owners Discount Corp., Elkhart, Ind.
Aug. 31 (letter of notification) $200,000 of 5¾% sinking fund debentures due Sept. 1, 1963. **Price**—At par (in denominations of $500 and $1,000). **Proceeds**—For working capital. **Office**—416-418 S. Main St., Elkhart, Ind. **Underwriter**—City Securities Corp., Indianapolis, Ind.

● Pacific Gas & Electric Co. (9/21)
Aug. 26 filed 1,946,829 shares of common stock (par $25) to be offered for subscription by common stockholders of record Sept. 15 at rate of one new share for each seven shares held; rights to expire Oct. 6. **Price**—$33.50 per share. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—Blyth & Co., Inc., San Francisco and New York.

Pedlow-Nease Chemical Co., Inc.
July 9 (letter of notification) 2,000 shares of capital stock (no par) to be offered to stockholders of record June 29 at rate of one new share for each five shares held. **Price**—$10 per share. **Proceeds**—For working capital. **Office**—Lock Haven, Pa. **Underwriter**—None.

★ Petrolane Gas Co., Inc., New Orleans, La.
Sept. 15 filed $400,000 of 6% sinking fund debentures, series A, due Oct. 1, 1968 (with common stock purchase warrants attached) and 75,000 shares of common stock (par $1). **Price**—At 100% of principal amount for the debentures and $2 per share for the stock. **Proceeds**—To repay notes and for working capital. **Business**—Distribution of liquefied petroleum gas, tanks and related equipment. **Underwiter**—P. W. Brooks & Co., New York.

Phillips Petroleum Co.
June 11 filed $25,000,000 of participation in the company's Thrift Plan and 444,444 shares of its common stock purchasable under the plan on the open market at current market prices. It is contemplated plan will be placed in effect on or about Aug. 1, 1953.

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Planter's Peat Corp., Coral Gables, Fla.
Aug. 6 (letter of notification) 100,000 shares of 6% cumulative preferred stock (par $2.50) and 100,000 shares of common stock (par 50 cents) to be offered in units of one share of each class of stock. **Price**—$2.50 per unit. **Proceeds**—To liquidate liabilities and for working capital. Office—220 Miracle Mile, Coral Gables, Fla. **Business**—To process peat for fertilizer. **Underwriter**—Frank L. Edenfield & Co., Miami, Fla.

Powdercraft Corp., Spartanburg, S. C.
June 3 (letter of notification) 5,000 shares of capital stock. **Price**—At par ($10 per share). **Proceeds**—For working capital. **Business**—Makes machine parts. **Office** 746 Hayne St., Spartanburg, S. C. **Underwriter**—Calhoun & Co., Spartanburg, S. C.

★ **Prophet (Fred B.) Co, Detroit, Mich.**
Sept. 10 (letter of notification) 7,500 shares of common stock (par $1) to be offered to employees under Stock Purchase Plan. **Price**—$6.17½ per share, or 5% below current market. **Proceeds**—For working capital. **Office**—707 Fisher Bldg., Detroit 2, Mich. **Underwriter**—None.

Providence Park, Inc., New Orleans, La.
July 7 (letter of notification) 33,333 shares of common stock (par $1). **Price**—$3 per share. **Proceeds**—To develop and improve property for cemetery. **Office**—516 Carondelet Bldg., New Orleans, La. **Underwriter**—Woolfolk & Shober, New Orleans, La.

Prugh Petroleum Co., Tulsa, Okla.
Aug. 28 (letter of notification) 35,000 shares of common stock (par $5). **Price**—$8.50 per share. **Proceeds**—To pay loans. **Office**—907 Kennedy Bldg., Tulsa, Okla. **Underwriter**—None.

Rowland Products, Inc., Kensington, Conn.
July 30 (letter of notification) 2,450 shares of common stock being offered to stockholders on basis of one new share for each two shares held on July 22; rights to expire Sept. 18. **Price**—At par ($25 per share). **Proceeds**—For working capital. **Office**—Fairview Place, Kensington, Conn. **Underwriter**—None.

★ **Royal Oil Co., Inc., Wichita, Kansas**
Sept. 8 (letter of notification) 30,000 shares of common stock (par $5). **Price**—$8.25 per share. **Proceeds**—For development and drilling of leases. **Office**—1534 S. Mead, Wichita, Kansas. **Underwriter**—Sills, Fairman & Harris, Inc., Chicago, Ill., and Wichita, Kansas.

Saint Anne's Oil Production Co.
April 23 filed 165,000 shares of common stock (par $1). **Price** — $5 per share. **Proceeds** — To acquire stock of Neb-Tex Oil Co., to pay loans and for working capital. **Office**—Northwood, Iowa. **Underwriter**—Sills, Fairman & Harris of Chicago, Ill. **Offering**—Indefinitely postponed.

Schlafly Nolan Oil Co., Inc.
March 25 filed 150,000 shares of common stock (par 25¢). **Price**—$4 per share. **Proceeds**—To purchase and sell leaseholds, royalties and producing properties, to prospect for oil and gas and to develop and operate producing properties. **Office**—Mt. Vernon, Ill. **Underwriter**—L. H. Rothchild & Co., New York. **Offering**—Indefintely postponed.

● **Segal Lock & Hardware Co., Inc., N. Y.**
Sept. 4 filed $975,000 of five-year 6% convertible sinking fund debentures due Oct. 1, 1958, to be offered to common stockholders at rate of one $100 debenture for each 250 shares of common stock held. **Price**—100% of principal amount. **Proceeds**—To repay loans and for working capital. **Underwriter**—None. **Meeting**—Stockholders to vote Sept. 25 on authorizing debentures.

Selected Risks Indemnity Co.
Aug. 13 (letter of notification) 8,500 shares of capital stock (par $10) being offered to stockholders of record Sept. 1, 1953 on the basis of one new share for each 8 7/17 shares held; rights to expire Oct. 1, with payment due on or before Nov. 5. **Price**—$35 per share. **Proceeds**—For working capital. **Underwriter** — None. **Office** — Branchville, N. J.

Silver Dollar Exploration & Development Co.
Aug. 20 (letter of notification) 1,000,000 shares of common stock. **Price** — 30 cents per share. **Proceeds**—For exploration. **Office**—West 909 Sprague Ave., Spokane, Wash. **Underwriter** — Mines Financing, Inc., Spokane, Wash.

Smith-Dieterich Corp.
Aug. 27 (letter of notification)7,849 shares of capital stock (par $2.50) to be offered to stockholders at rate of one new share for each 10 shares owned. **Price**—$5 per share to stockholders; $5.50 to public. **Proceeds**—For patent expenses, to buy photographic equipment, lenses and tools for fabricating parts and for working capital. **Office**—50 Church St., New York, N. Y. **Underwriter**—None.

★ **Southern New England Telephone Co. (10/2)**
Sept. 15 filed 400,000 shares of capital stock to be offered for subscription by stockholders of record Oct. 2 in the ratio of one new share for each 10 shares then held. **Price**—At par ($25 per share). **Proceeds**—To repay advances from American Telephone & Telegraph Co. **Underwiter**—None.

Southern Union Gas Co.
Aug. 10 filed 108,350 shares of common stock (par $1) to be offered for subscription by common stockholders of record Aug. 31 on the basis of one new share for each 18 shares held (with an oversubscription privilege); rights to expire Oct. 7. **Price**—$18 per share. **Proceeds**—For additions to properties. **Underwriter**—None.

★ **State Fire & Casualty Co., Miami, Fla.**
Sept. 10 (letter of notification) 80,000 shares of class B common stock (par $1). **Price**—$3.75 per share. **Office**—8268 N. E. 2nd Ave., Miami, Fla. **Proceeds**—To increase capital and surplus, for expansion and to retire certain preferred shares. **Underwriter**—Floyd D. Cerf Jr. Co. Inc., Chicago, Ill., and Miami, Fla.

● **Sterling Discount Corp., Atlanta, Ga.**
Aug. 26 filed 60,000 shares of common stock (par $1). **Price**—$9 per share. **Proceeds**—To pay off notes to individuals and for working capital. **Underwriter**—Courts & Co., Atlanta, Ga., and New York, N. Y. **Offering**—Expected today or tomorrow (Sept. 17 or 18).

● **J. L. Stifel & Sons, Inc. (9/18)**
Aug. 18 (letter of notification as amended) 50,000 shares of common stock (par $5), of which 13,000 shares are for the account of the company and 37,000 shares for the account of selling stockholders. **Price** — $6 per share. **Proceeds**—To company to be used for working capital. **Office**—Wheeling, W. Va. **Underwriter**—Fulton, Reid & Co., Cleveland, O.

● **Strategic Materials Corp., Buffalo, N. Y.**
Aug. 31 filed 198,500 shares of common stock (par $1) to be offered for subscription by common stockholders at rate of one new share for each share held. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and other indebtednesss, for further exploration of properties and for additional working capital. **Underwriters**—Hamlin & Lunt, Buffalo, N. Y., and Allen & Co., New York. W. C. Pitfield & Co., Ltd., of Montreal, Canada, has agreed to purchase 50,000 shares from the underwriters for distribution in Canada. **Offering**—Expected in about 2 to 2½ weeks.

Textron Incorporated, Providence, R. I.
June 25 filed 4,930 shares of 4% preferred stock, series A (par $100) to be offered in exchange for the 19,719 shares of 5% cumulative preferred stock, series A (par $25) of Textron Puerto Rico, a subsidiary, on a one-for-four basis. Offer to expire Sept. 30, 1953. Statement effective July 31.

Thompson (H. I.) Fiber Glass Co.
Aug. 17 filed 50,000 shares of capital stock (par $1). **Price**—Expected at $8 per share. **Proceeds**—To selling stockholders. **Office**—Los Angeles, Calif. **Underwriter**—Sutro & Co., San Francisco and Los Angeles, Calif.

United Mining & Leasing Corp.
Aug. 26 (letter of notification) 1,700,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining operations, equipment, etc. **Office**—Central City, Colo. **Underwriter**—R. L. Hughes & Co., Denver, Colo.

United States Air Conditioning Corp. (9/24)
Aug. 28 filed 570,000 shares of common stock (par 10 cents), of which 100,000 shares will be underwritten (including 40,000 shares to be offered to employees and distributors and dealers at a fixed price to be supplied by amendment). The remaining 60,000 shares, plus any of the 40,000 shares not sold, will be offered for sale on the American Stock Exchange or over-the-counter market. An option has also been granted to Mortimer B. Burnside & Co., Inc., to acquire an additional 220,000 shares of stock (also to be offered for sale on the Exchange or over-the-counter market at the then prevailing market price). In addition the company proposes to offer 250,000 shares on March 25, 1954 to holders of its common stock purchase warrants which were sold on Feb. 26, 1953 in connection with the sale of 100,000 shares of common stock, the subscription price under these warrants being $3.06¼ per share. The underwriters have agreed to purchase the 100,000 shares at a price equal to the market, less 20%; and the option price to the underwriters for the 220,000 additional shares is the market price, less 17½%. **Proceeds**—For working capital and general corporate purposes. **Underwriters**—Mortimer B. Burnside & Co., Inc., and George F. Breen, both of New York.

Universal Finance Corp., Los Angeles, Calif.
July 27 (letter of notification) 12,000 shares of 6% cumulative preferred stock. **Price** — At par ($25 per share). **Proceeds**—For working capital. **Office**—3460 Wilshire Blvd., Los Angeles, Calif. **Underwriter**—None.

Walburt Oils Ltd., Toronto, Canada
April 24 filed 660,000 shares of common stock (par $1) of which 550,000 shares will be offered in the United States and 110,000 shares in Canada. **Price** — $1.02 per share in U. S. and $1 per share in Canada. **Proceeds**—For general corporate purposes. **Underwriter**—Sidney S. Walcott, President of company, Buffalo, N. Y.

Washington Water Power Co.
May 7 filed 1,088,940 shares of $1.28 cumulative convertible preferred stock (par $25) and 1,088,939 shares of common stock (no par) to be issued in connection with the proposed merger into company of Puget Sound Power & Light Co. on the basis of one-half share of preferred and one-half share of common for each Puget Sound common share to holders who do not elect to receive cash at the rate of $27 per share. **Underwriter**—None.

★ **Welex Jet Services, Inc.**
Sept. 8 (letter of notification) 13,671 shares of common stock (no par) to be offered for subscription by stockholders on a pro rata basis. **Price** — $17.50 per share. **Proceeds**—For equipment. **Office**—1400 East Berry St., Fort Worth, Tex. **Underwriter**—None.

West Coast Pipe Line Co., Dallas, Tex.
Nov. 20 filed $29,000,000 12-year 6% debentures due Dec. 15, 1964, and 580,000 shares of common stock (par 50 cents) to be offered in units of one $50 debenture and one share of stock. **Price** — To be supplied by amendment. **Proceeds**—From sale of units and 1,125,000 additional shares of common stock and private sale of $55,000,000 first mortgage bonds, to be used to build a 1,030 mile crude oil pipeline. **Underwriters**—White, Weld & Co. and Union Securities Corp., both of New York. **Offering**—Postponed indefinitely.

West Coast Pipe Line Co., Dallas, Tex.
Nov. 20 filed 1,125,000 shares of common stock (par 50 cents). **Price**—To be supplied by amendment. **Proceeds**—Together with other funds, to be used to build pipeline. **Underwriters** — White, Weld & Co. and Union Securities Corp., both of New York. **Offering**—Postponed indefinitely.

★ **Wheaton Finance Co., Silver Spring, Md.**
Sept. 9 (letter of notification) $49,000 of five-year 10% debenture bonds. **Price** — At par (in denominations of $500 each). **Proceeds**—For working capital. **Office**—7900 Georgia Ave., Silver Spring, Md. **Underwriter**—None.

Worcester Gas Light Co. (9/28)
Aug. 25 filed $3,000,000 of first mortgage sinking fund bonds, series B, due Sept. 1, 1973. **Proceeds**—To retire bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc.; Kidder, Peabody & Co. **Bids**—Expected to be received up to noon (EST) on Sept. 28 at company's office in Cambridge, Mass.

Working Capital, Inc. (9/22)
Sept. 4 (letter of notification) 148,700 shares of common stock (par five cents) and 74,350 common stock purchase warrants to be offered in units of 100 shares of stock and 50 warrants (each warrant will entitle the holder to purchase one share of stock at $1.25 per share). **Price**—$125 per unit. **Proceeds**—To make loans. **Office**—55 Hilton Ave., Garden City, L. I., N. Y. **Underwriter**—None.

Prospective Offerings

● **American Fidelity & Casualty Co. (10/20)**
Aug. 26 it was stated registration is planned for between Sept. 25 and Sept. 30 of 150,000 shares of convertible preferred stock (par $5) to be offered for subscription by common stockholders on a share-for-share basis, about Oct. 20; rights to expire about Nov. 4. Certain stockholders have waived their rights to purchase the new shares. **Price** — To be named later. **Proceeds** — For working capital. **Underwriter**—Geyer & Co., New York.

American Telephone & Telegraph Co.
Aug. 19 directors voted to recommend to stockholders that they authorize a new issue of convertible debentures in an amount not to exceed $625,000,000 at a meeting to be held on Oct. 14. **Price**—Expected at par. **Proceeds**—For advances to subsidiary and associated companies. **Underwriter**—None. **Offering**—To be made to stockholders.

American Water Works Co., Inc.
July 29 it was reported company may do some preferred stock financing following private placement of an issue of bonds. **Underwriter** — Probably The First Boston Corp., and W. C. Langley & Co., both of New York. **Offering**—Not imminent.

Arkansas-Missouri Power Co.
Aug. 27 it was announced company has applied to Arkansas P. S. Commission for authority to issue and sell $2,000,000 of first mortgage bonds, series E. This may be done privately. The proceeds will be used to retire bank loans and for construction program.

Arkansas Power & Light Co.
March 20 it was announced that company may consider refunding the outstanding 47,609 shares of $7 preferred stock (no par) and 45,891 shares of $6 preferred stock (no par), both callable at $110 per share. **Underwriters**—To be determined by competitive bidding. Probable bidders. Blyth & Co., Inc, and Equitable Securities Corp. (jointly); W. C. Langley & Co., and The First Boston Corp. (jointly); Kidder, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Beane (jointly); Union Securities Corp.

Atlanta Gas Light Co.
Sept. 3 Halsey, Stuart & Co. Inc. filed a petition with the Georgia P. S. Commission for intervention in the application of this company to sell $7,000,000 of 4¼% first mortgage bonds due 1978 to a group of insurance cos.

Atlantic City Electric Co.
Aug. 17, B. L. England, President, indicated that the company early next year expects to raise $14,000,000 to $16,000,000 through the sale of bonds and both preferred and common stock. **Proceeds**—To repay bank loan and for new construction.

Atlantic Refining Co.
March 27 it was announced that proposed debenture issue later this year will be around $60,000,000. The exact nature and timing of the financing are still to be determined. Stockholders voted May 5 to increase the authorized debt from $75,000,000 to $150,000,000. **Proceeds**—To be used to help pay for a $100,000,000 construction program for 1953. **Underwriters**—Smith, Barney & Co. may head group.

Aztec Oil & Gas Co.
Aug. 11 it was reported company's common stock (held by Southern Union Gas Co.) may be offered to stockholders of the parent company on a pro rata basis under a proposed divestment plan.

Bates Manufacturing Co.
June 25 it was reported company planned to offer and sell 750,000 additional shares of common stock. **Proceeds**—To purchase properties in the South. **Underwriters**—Probably Coffin & Burr, Inc., Boston, Mass., and The First Boston Corp., New York. **Plan Opposed**—Consolidated Textile Co., Inc., is opposing the proposed financing.

Blair Holdings Corp.
June 24 it was announced company plans to issue and sell publicly $2,000,000 of convertible debentures. **Proceeds** — For development of Stanwell Oil & Gas Ltd.,

newly acquired subsidiary. **Underwriters**—Blair, Rollins & Co. Inc. and The First California Co.

Central Maine Power Co.
Jan. 2 it was reported company plans sale later this year of $10,000,000 common stock (in addition to $10,000,000 of 1st & gen. mtge. bonds sold March 10, 1953), after distribution by New England Public Service Co. of its holdings of Central Maine Power Co. common stock. Probable bidders: Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Coffin & Burr, Inc.; A. C. Allyn & Co., Inc. and Bear, Stearns & Co. (jointly); Harriman Ripley & Co., Inc.

Central-Penn National Bank of Phila. (9/25)
July 24 it was reported Bank plans to issue and sell to its stockholders of record Sept. 22 an additional 124,125 shares of capital stock (par $10) to be offered on a 1-for-3 basis; rights to expire Oct. 13. **Price**—$30 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—Stroud & Co., Inc., Philadelphia, Pa.

Central Power & Light Co.
March 2 it was reported company may issue and sell 50,000 shares of new preferred stock. **Underwriters**—To be determined by competitive bidding. Probable bidders: Stone & Webster Securities Corp.; Lehman Brothers and Glore, Forgan & Co. (jointly); Blyth & Co., Inc., Harriman Ripley & Co., Inc. and Smith, Barney & Co. (jointly); Salomon Bros. & Hutzler.

Columbia Gas System, Inc.
April 6 it was announced company plans to issue and sell later this year $40,000,000 of new debentures. **Proceeds**—To repay bank loans and for construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.

Detroit Edison Co.
March 24 it was announced company plans to issue an unspecified amount of convertible debentures due 1963 (about $55,000,000 to carry an interest rate not exceeding 4%) which may first be offered for subscription by stockholders. **Proceeds**—To retire bank loans and to meet construction costs. **Meeting**—Stockholders on April 14 authorized the new debentures. **Underwriter**—None.

Eastern Industries, Inc.
Aug. 20 stockholders voted to create an issue of 200,000 shares of preferred stock (par $10), 100,000 shares of which are expected to be offered publicly. **Underwriters**—Blair, Rollins & Co., Inc. and Cohu & Co., both of New York. **Registration**—Expected in September.

Eastern Utilities Associates
Feb. 20 it was announced company plans sale of $7,000,000 collateral trust mortgage bonds due 1973. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Estabrook & Co. and Stone & Webster Securities Corp. (jointly); The First Boston Corp., White, Weld & Co. and Kidder, Peabody & Co. (jointly); Glore, Forgan & Co. and Harriman Ripley & Co. Inc. (jointly).

★ **Florida Power Corp.**
Sept. 11 it was announced that the company plans to sell approximately $10,000,000 first mortgage bonds due 1983 the latter part of this year. **Proceeds**—To pay off bank borowings and for construction purposes. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Lehman Brothers; Glore, Forgan & Co. and W. C. Langley & Co. (jointly); The First Boston Corp.

General Electric Co.
Aug. 24 company received SEC authority to acquire its distributive portion of portfolio stocks being distributed by New England Public Service Co. pursuant to that company's plan of liquidation and dissolution. By reason of its ownership of NEPSCO stocks, General Electric will be entitled to receive 97,030.95 shares (3.89%) of the common stock of Central Maine Power Co.; 45,690.45 shares (3.89%) of the common stock of Public Service Co. of New Hampshire; and 20,730.20 shares (2.72%) of the common stock of Central Vermont Public Service Corp. General Electric proposes to sell or otherwise dispose of such securities within a period of one year from the date of such acquisition (subject to its right to apply for additional time to dispose of such securities).

General Telephone Co. of Kentucky
April 27 it was reported early registration is expected of 50,000 shares of cumulative preferred stock (par $50). **Underwriters** — Probable Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp.

Government Employees Corp., Washington, D. C.
March 18 stockholders authorized an issue of 3,000 shares of preferred stock (par $100) to carry a cumulative dividend rate not to exceed 6% annually. The management states that, under present plans, these shares will be issued as the growth of the corporation warrants.

Greenwich Gas Co.
May 7 the Connecticut P. U. Commission authorized company to issue and sell $200,000 of first mortgage bonds and $483,000 par value of common stock (the latter first to stockholders). **Proceeds**—To retire bank loans. **Underwriter**—F. L. Putman & Co., Boston, Mass.

Hartford Electric Light Co.
July 29 it was reported company plans to offer to its common stockholders 105,500 additional shares of common stock on a 1-for-8 basis before Dec. 31, 1953, probably without underwriting. Stockholders to vote Sept. 29. **Proceeds**—For construction program.

● **Hawaii (Territory of) (9/29)**
Bids will be received up to 10 a.m. (EST) on Sept. 29 for the sale of $5,500,000 public improvement bonds, series A, to be dated Sept. 15, 1953, and to mature serially from Sept. 15, 1956 to 1973, inclusive.

★ **International Bank for Reconstruction and Development ("World Bank") (9/29)**
Sept. 10 it was announced that offering of $75,000,000 three-year bonds is planned. **Underwriters** — Morgan Stanley & Co. and The First Boston Corp.

● **Long Island Lighting Co.**
April 21 it was announced that company this Fall plans to issue and sell in the neighborhood of 600,000 shares of new common stock to be followed in the latter part of the year by an issue of about $25,000,000 of first mortgage bonds (this is in addition to 100,000 shares of series C preferred stock, par $100, offered publicly on May 7). **Proceeds**—To repay bank loans and for new construction. **Underwriters** — (1) For common stock probably Blyth & Co., Inc. and The First Boston Corp. (jointly). (2) For bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. and The First Boston Corp. (jointly); W. C. Langley & Co.; Smith, Barney & Co. **Registration**—Of stock expected Sept. 23.

Milwaukee Gas Light Co.
July 7 company sought SEC approval of a bank loan of $9,000,000 the mature Aug. 1, 1954. These borrowings, plus retained earnings, are designed to finance expansion pending formulation of permanent financing prior to maturity of notes. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co. and Lehman Brothers (jointly); Smith, Barney & Co. and Blyth & Co., Inc. (jointly); Kuhn, Loeb & Co.; Kidder, Peabody & Co.; Harriman Ripley & Co. Inc.

Minnesota Power & Light Co.
Aug. 3 it was announced stockholders will vote Oct. 1 on increasing the authorized common stock (no par) from 2,000,000 shares (858,047 shares outstanding) to 3,000,000 shares and on approving a 2-for-1 stock split. This will place the company in a position to proceed promptly with any new financing that may become necessary. Immediate offer not contemplated. **Underwriters**—May be determined by competitive bidding. Probable bidders: Kidder, Peabody & Co.; Blyth & Co., Inc.

● **Monongahela Power Co. (12/1)**
Sept. 9 it was announced that company is planning issuance and sale of $10,000,000 first mortgage bonds due 1983. **Proceeds**—For construction program. **Underwriters** To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; W. C. Langley & Co. and The First Boston Corp. (jointly); Kuhn, Loeb & Co.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Glore, Forgan & Co.; Lehman Brothers, Equitable Securities Corp.; Union Securities Corp. and Salomon Bros. & Hutzler (jointly); Merrill Lynch, Pierce, Fenner & Beane; Harriman Ripley & Co., Inc. **Bids**—Tentatively expected to be received on Dec. 1. **Registration**—Expected about Oct. 30.

Mountain States Power Co.
Sept. 4 it was announced FPC, following objections filed by Halsey, Stuart & Co. Inc., has advised the company it will have to file again within 60 days for permission to issue and sell privately an issue of $8,000,000 first mortgage 4¼% bonds, with revised terms, if it still wishes to sell them without competitive bidding.

National Bank of Detroit (Mich.) (9/24)
Aug. 27 it was announced company plans to offer 313,200 additional shares of common stock (par $10) to its common stockholders of record Sept. 24 on the basis of one new share for each five shares held; rights to expire on Oct. 15. **Price**—To be named later. Expected to be somewhat below the market price prevailing on Sept. 24, the day the stockholders are to vote on approving the new financing. **Proceeds** — To increase capital and surplus. **Underwriter**—May be Morgan Stanley & Co., New York.

New York State Electric & Gas Corp.
Feb. 27 it was reported that company may, later in 1953, issue and sell $20,000,000 first mortgage bonds. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Glore, Forgan & Co. (jointly); Blyth & Co., Inc. and Smith, Barney & Co. (jointly); Hemphill, Noyes & Co. and Drexel & Co. (jointly); Kidder, Peabody & Co. and Salomon Bros. & Hutzler (jointly); Lehman Brothers; Harriman Ripley & Co., Inc.

Pacific Northwest Pipeline Corp.
Jan 29 company received FPC permission to file a third substitute application proposing to construct a 1,466-mile transmission line extending from the San Juan Basin in New Mexico and Colorado to market areas in the Pacific Northwest. Estimated overall capital cost of the project is $186,000,000, including $2,000,000 for working capital. Financing is expected to consist of first mortgage pipe line bonds and preferred and common stocks. **Underwriters**—White, Weld & Co. and Kidder, Peabody & Co., both of New York, and Dominion Securities Corp. Ltd., Toronto, Canada.

Pacific Telephone & Telegraph Co.
July 2 it was announced company plans to issue and sell to its stockholders 1,004,603 additional shares of capital stock on a 1-for-7 basis. **Price**—At par (100 per share. **Proceeds**—To repay bank loans. **Underwriter**—None. American Telephone & Telegraph Co., parent, owns 91.25% of Pacific's outstanding stock. **Offering**—Not expected until the early part of 1954. (See also proposed bond financing under "Securities Now In Registration" in a preceding column of this issue.)

Pennsylvania Water & Power Co.
Aug. 11 it was reported company is considering issuance and sale of from $9,000,000 to $10,000,000 additional bonds. **Proceeds**—For construction program. **Underwriter**—May be The First Boston Corp., New York. **Offering**—Expected to be made privately.

Petroleum Service, Inc. (Texas)
Aug. 4 it was reported company is considering issue and sale of $300,000 of 6% debentures due 1963 (convertible into common stock). **Underwriters** — Probably Garrett & Co., Dallas, Texas. **Offering**—Expected this fall. Stockholders will vote Sept. 19 on approving financing.

● **Public Service Electric & Gas Co. (10/27)**
Sept. 10 company filed an application with the New Jersey Board of Public Utility Commissioners covering the proposed issuance and sale of $30,000,000 first and refunding mortgage bonds to be dated Oct. 1, 1953 and mature Oct. 1, 1983. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Lehman Brothers (jointly); Morgan Stanley & Co. and Drexel & Co. (jointly); The First Boston Corp. If by negotiated sale, Morgan, Stanley & Co., Drexel & Co. and Glore, Forgan & Co. may head syndicate. **Bids**—Expected to be received on Oct. 27. **Registration**—Planned for Sept. 30.

★ **Public Service Electric & Gas Co. (10/20)**
Sept. 10 company filed an application with the New Jersey Board of Public Utility Commissions covering the proposed issuance and sale of 800,000 shares of common stock (no par). **Proceeds**—To retire bank loans and for property additions and improvements. **Underwriters**—Morgan Stanley & Co., Drexel & Co. and Glore, Forgan & Co. handled common stock financing last March.

Riddle Airlines, Inc., New York
Aug. 11 it was announced company plans future public financing to secure cargo transport aircraft.

● **Rockland Light & Power Co. (10/13)**
Sept. 10 Charles L. Hulswit, President, announced company has sought approval of the New York Public Service Commission to issue and sell $8,000,000 of 30-year first mortgage bonds. **Proceeds**—To retire bank loans and for expansion program. **Underwriters**—To be determined by competitive bidding. Probable bidders: To Halsey, Stuart & Co. Inc.; First Boston Corp. and Salomon Bros. & Hutzler (jointly); Stone & Webster Securities Corp.; Lehman Brothers, Bear, Stearns & Co. and A. C. Allyn & Co., Inc. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Estabrook & Co. **Bids**—Expected to be received about Oct. 13. **Registration** — Expected today (September 17).

● **Rockland Light & Power Co. (10/8)**
Sept. 10 it was announced company has petitioned New York P. S. Commission for approval to issue 210,721 shares of common stock to be offered to common stockholders on the basis of one new share for each seven shares held about Oct. 8; with rights to expire about Oct. 21. **Price**—To be named later. **Proceeds**—For expansion program. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York. **Registration**—Expected today (Sept. 17).

★ **San Jose Water Works**
Sept. 15 company applied to the California P. U. Commission for permission to issue and sell 40,000 shares of convertible preferred stock (par $25) and for exemption from competitive bidding. **Price**—To be announced later. **Proceeds**—To repay bank loans and for new construction. **Underwriters** — Latest preferred stock issue was underwritten by Dean Witter & Co.; Blyth & Co., Inc.; Elworthy & Co.; and Schwabacher & Co.

Seaboard Finance Co.
Aug. 11 it was reported company may do some public financing (probably in the form of debentures) before the end of this year. **Underwriter**—May be The First Boston Corp., New York.

Sky Ride Helicopter Corp.
Sept. 3 it was announced that the company contemplates issue and sale of 1,490,000 additional shares of capital stock (no par), following completion of present offering of 10,000 shares at $2 per share. **Offering**—Expected in November or December. **Office**—1705—38th St., S. E., Washington, D. C.

Southwestern Development Co.
See Westpan Hydrocarbon Co. below.

Southwestern Gas & Electric Co.
April 29 it was announced company later this year will issue and sell 50,000 shares of cumulative preferred stock (par $100). **Underwriters** — May be determined by competitive bidding. Probable bidders, White Weld & Co. and Kidder, Peabody & Co. (jointyl); W. C. Langley & Co. and Paine, Webber, Jackson & Curtis (jointly); Harriman, Ripley & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly); Lehman Brothers; Blyth & Co. Inc., and Stone & Webster Securities Corp. (jointly).

Southwestern Public Service Co.
Aug. 6 it was announced company plans to issue and sell about $20,000,000 of securities (to consist of around $12,000,000 bonds; from $2,000,000 to $3,000,000 of preferred stock; and the remainder in common stock, the latter to be offered first to stockholders on a 1-for-1[illegible] basis). **Underwriter**—Dillon, Read & Co., New York. **Offering**—Expected in January or February 1954.

Transcontinental Gas Pipe Line Corp.
May 4 it was reported company may issue some convertible preferred stock before the Fall. **Underwriters**—Probably White, Weld & Co. and Stone & Webster Securities Corp., both of New York.

United Gas Corp.
Sept. 3 it was reported company plans to issue and sell $25,000,000 of debentures due 1973. **Proceeds**—For 195[illegible]

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construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co., White, Weld & Co. and Equitable Securities Corp. (jointly); The First Boston Corp., Harriman Ripley & Co. Inc. and Goldman Sachs & Co. (jointly). **Offering**—Expected in October.

Virginia Electric & Power Co.

Sept. 3 it was announced company plans to sell 558,946 additional shares of common stock later this year. At current market price, the sale would amount to about $14,000,000. **Proceeds**—For construction program. **Offering**—Probably in November or December of this year. **Underwriter**—May be Stone & Webster Securities Corp., New York.

West Coast Transmission Co.

April 1 it was stated company may issue and sell $59,000,000 of 4% first mortgage bonds to insurance companies (including Prudential Insurance Co. of America, New York Life Insurance Co.; Northwestern Mutual Life Insurance Co. and several Canadian companies); $25,000,000 of 3% to 4% short-term notes to the National City Bank of New York; and about 3,500,000 shares of common stock for about $30,000,000. **Proceeds**—To finance construction of a natural gas pipe line from the Canadian Peace River field to western Washington and Oregon. **Underwriter**—Eastman, Dillon & Co., New York.

Western Massachusetts Companies

June 30, H. J. Caldwell, President, stated trustees are studying plan to issue and sell additional common stock which would provide the company's electric subsidiary with sufficient funds to retire not exceeding one-half of an $8,000,000 bank loan. A total of 978,527 no par common shares are presently outstanding. **Offering** — Expected before end of 1953, subject to market conditions. **Underwriters** — May be The First Boston Corp., New York.

Westpan Hydrocarbon Co.

July 1 SEC granted Sinclair Oil Corp. an extension of six months from June 21, 1953, in which to dispose of its holdings of common stock in Westpan and the Southwestern Development Co. Sinclair owns 384.860 shares (52.85%) of the stock of each of the other two companies. **Underwriter**—May be Union Securities Corp., New York.

Yates Uranium Co., Inc. (Canada)

Sept. 2 it was reported company plans to issue and sell 2,000,000 shares of common stock (par 1 cent). **Price**—15 cents per share. **Proceeds**—For working capital, etc. **Underwriter**—Tellier & Co., New York.

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The Security I Like Best

graver, the company has under study a lithotype machine, which will produce line printing through a plastic stencil replacing (ultimately) the expensive and complicated equipment now generally in use. Since the principle of the proposed lithotype is similar to that of the Scan-a-graver, and its potential market appears to be even larger, it follows that eventual production of these machines by Fairchild is to be expected.

Sales of the company as a whole during the past three years have jumped to $25.5 million, principally as a result of Government Air Force purchase contracts. It had been expected that this government business would decline sharply in 1954. However the company's backlog of orders has risen from $41 million at the end of last year to $60 million at the end of March and apparently is even higher now in sharp contrast with other military suppliers who are currently suffering from recent cancellations. These orders have been recently confirmed by government purchasing agents as firm irrespective of what may take place in Korea. It would be wrong to overcapitalize earnings from government business, but at the same time, these revenues provide an excellent cushion against current rapid amortization of new plant facilities and development costs (which may reach $680,000 during the current year). At present, about 66% of revenues, 80% of inventories, and 90% of order backlog is derived from government business. Should the rearmament boom cease entirely, it is estimated that Fairchild's annual sales to the government should still average $6-$8 million. Assuming "a post-excess profits tax repeal" profit margin of 5% after taxes on this business, we can project "normal" annual earnings from military business of $.75 to $1.00 per share. Actually they should run very much higher than this.

At the beginning of 1952 when 609 Scan-a-graver machines were in operation, the company was able to produce $33,000 income from monthly revenues of $116,000. By the end of the year, with 953 machines in operation, monthly revenues of $146,000 produced $59,000 in income. It is quite clear that as the number of machines in operation increases, the company's margin of profit per machine will also increase. Assuming that the present profit margin of 40% before taxes is maintained, (a geometric progression of increasing profit margins is more probable as fixed expenses are spread over larger sales), and the taxes "post-EPT" will be 50%, we can roughly predict (see table below) the annual earnings per share from the number of machines in operation.

Conservatively, the company should have 1,450 machines in operation by the end of 1953. Private estimates have placed the figure substantially higher. Production of new machines by 1954 could conceivably be running at an annual rate of close to 1,000, and potential demand for this machine is estimated to be several thousand. Assuming that the stock, excluding Scan-a-graver, has some value on the basis of profits from the company's military and other operations, not to mention potential earnings from the lithotype machine (which could eventually surpass Scan-a-graver), the above earnings multiplied by ratios which obtain in other "growth" situations could produce very large price advances for Fairchild from present depressed levels, more or less independent of trends in general business or other stock prices.

Over the past 10 years the stock has been extremely volatile having doubled in price from a reaction low point on no less than three separate occasions during this period. Much of this erratic behavior undoubtedly stems from the fact that out of 416,438 shares outstanding, at least 250,000 shares and perhaps as many as 350,000 shares, are held or controlled by "insiders." For this reason the stock is capable of extreme but often meaningless fluctuations over a short period of time. By the same token, with any general investor recognition of the immense progress this company has made since 1951 (when the stock was selling at 39) and the dynamic jump in earnings which may be in prospect as early as 1954, the scarcity of supply may well accelerate an overdue rise in the price of this stock to levels more in line with other better known growth issues.

At present the stock, listed on the American Stock Exchange, is selling at the lowest price since 1949 notwithstanding the fact that earning power has probably quadrupled since then. From a speculative view tax loss selling which now appears to be going on presents a good opportunity to acquire a position in a market which is normally very thin. For the longer term there seems little risk of serious capital loss from present depressed levels and more than a possibility that from its present humble status Fairchild Camera will grow into one of the real "wonder stocks" of the 1950's.

Machines	Rentals, plus Plastic Materials Sold	Profit Before Taxes	Per Shr. Earnings After 50% Taxes
1,000	$2,000,000	$800,000	$1.00
1,500	3,000,000	1,200,000	1.50
2,000	4,000,000	1,600,000	2.00
2,500	5,000,000	2,000,000	2.50
3,000	6,000,000	2,400,000	3.00

Our Reporter's Report

Some people of long experience in Wall Street feel that the recent "downdraft" in the stock market reflects, in some degree, the efforts of many in the underwriting business to put their affairs in shape to help handle this week's huge outpouring of new securities.

The same interests likewise expressed the belief that corporation finance officials could render a real service, not only to the financial world at large, but to themselves and their companies in particular, by endeavoring to "spread out" new flotations in the future.

There is no good reason why such new financing should be jammed into a few days, they say, and, on the other hand, there are many good reasons why it should not be. First of all, from the standpoint of the issuer, it is argued, he naturally does not benefit in the terms of such undertakings if the market is overloaded.

Many firms, it is felt had to do considerable maneuvering, involving sales of securities held, in order to put themselves in cash and credit position to participate in the week's financing operations.

With the equity market, and likewise the speculative bond market, in a reactionary mood, it is considered likely that this necessitous selling was probably just enough in the way of added pressure to tip the market over for a real setback.

Small Buyers, Large Numbers

General Motors Acceptance Corp.'s $150,000,000 of eight-year debentures, carrying a 3⅞% rate and priced at 99½ to yield 3.95%, proved a real success when brought to market.

And this was so despite the fact very few big names were reported on the buying side when subscription books were opened.

Among dealers who were in on the business it was the concensus that by far the bulk of the demand originated with smaller institutional investors well scattered around the country.

The success of this operation was welcomed around the market place where it was regarded as the key to the over all situation.

Pacific Tel & Tel

Three groups went after Pacific Telephone & Telegraph's $50,000,000 of 31-year debentures as the deadline for bidding passed on Tuesday. The successful group paid the company a price of 102.02 for a 4% interest rate.

The two other bidders, with less than 40 cents a bond separating their tenders, were better than $9 a bond below the winner for the same coupon rate.

Priced at 102.70 for reoffering, to yield 3.85%, this issue was reported a bit on the slow side, though moving out persistently.

Reaction Is Mixed

With the week's two big issues, GMAC and the New York State Thruway Authority's $125,000,000 offering being swept away rapidly response to some of the other new emissions was mixed to say the least.

Curiously enough it was a stock offering yesterday which made the best showing despite the current unpleasantness in the equity market. Stauffer Chemical Corp.'s 310,000 shares of common stock met quick oversubscription while its companion issue, $15,000,000 of 20-year debentures, was on the slow side.

The same held true, according to dealers, in the case of Westinghouse Air Brake's $35,000,000 of 25-year sinking fund debentures priced to yield 3.90%. But observers were confident that these situations would clean up in good order.

Phila. Nat'l Bank and First Nat'l Bank of Conshohocken to Merge

Shareholders of The Philadelphia National Bank and The First National Bank of Conshohocken, in meetings held by the respective institutions, on Sept. 16 approved the merger of the two banks, subject to the formal confirmation by the comptroller of the currency. The merger will become effective at the close of business on Sept. 25, 1953, and the office of The First National Bank of Conshohocken will open for business on Monday, Sept. 28, as the Conshohocken office of The Philadelphia National Bank.

Frederic A. Potts, President of The Philadelphia National Bank, announced that Donald P. Horsey, President of The First National Bank of Conshohocken, has been elected a Vice-President of The Philadelphia National Bank in charge of the Conshohocken office and that the officers and staff of The Conshohocken Bank will continue in the employ of the merged bank. Mr. Potts also stated that the present directors of The First National Bank of Conshohocken will serve as an advisory committee.

Ninety-four percent of First National of Conshohocken shareholders voted unanimously in favor of the merger, with none dissenting.

Philadelphia National shareholders cast 620,584, equivalent to 84% for the merger with only 204 shares against.

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The Market . . . And You

many quarters over the market's ability as a crystal ball.

* * *

Thin-Ness

A contributing factor to the ease of the decline is the admitted thinness in many of the leading stocks. In the last few years the mutual funds have withdrawn, at least from the daily stream, considerable quantities of quality issues. But this reduction in the float has been more than offset by the lack of public interest and exaggerated swings are inevitable when public interest is low. How much of the trading can be attributed to the funds themselves will have to wait on the quarterly reports due after the end of the month but there has been no evidence in the brokerage houses of anything other than the normal amount of fund-switching and realignment.

* * *

The continued decline to new low levels this week did end the debate over whether or not a bear signal had been given. Earlier declines left a shred of evidence here and there that the signal might have been a false one, which isn't unusual. But at least the Dow Theory school now officially calls it a bear market. But here again the value of theories in general has gotten another black eye. The signal came some 9 months after the decline started, or some three dozen points in the averages, which is a lot of lost ground for those waiting for an indication of the trend.

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

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A Full-Dress Airing of Pressing International Economic Questions

tution, was also broached by this participant.

His argument is based on the theory that in the development of the less developed countries there are enterprises that will be paying returns large enough to justify the speculation undertaken by the investor; but there are others whose returns, while adequate from the business point of view, are not generous enough to warrant taking a bigger risk than the ordinary business risk; that we will have to do both; and that hence an insurance institution is needed to do the trick. He insists that the risk of expropriation without adequate compensation is not greater than any insurable risk.

"Referee" Schuster's comment on this proposal to the effect that the emphasis should rather be on developing an atmosphere of integrity and mutual agreement.

Mr. Legorreta, in reminding his audience that international investment helps the lender as well as the borrower in promoting trade and purchasing power, seemed again to demonstrate tryical disregard for the need for incentive to fit the individual's self-interest.

The most important conclusion coming to your correspondent from this discussion is additional confirmation of the conviction that the complusion on would-be borrowers to get their houses in order definitively will not be conclusive as long as they retain the reassuring thought in the back of their heads that they can in any event fall back on aid on the U. S. government level.

The proposal for an International Finance Corporation, carried-over from the previous years with the lukewarm endorsement of the Bank, was advocated again in many (including Mohamed Ali of Pakistan, Board Chairman of the Governors of Fund and Bank) quarters at several meetings in the week's sessions. Another instrumentality for eliciting American help, whose treasury officials are still distinctly "lukewarm" about using the taxpayers' money to back equity investment.

As in any number of channels in every international gathering, here too the largesse of the United States has been sought, directly and indirectly. In plumping for convertibility, either a special U. S. subsidy fund or the Monetary Fund's expanded resources are envisaged. The Fund now has three billion-plus available for this purpose. Of this the British can draw $2.6 billion, but they claim that they would require access to considerably more. The only way by which the British could gain such access would through an increase in the U. S. quota or by the creation of a special account. Either course would require a special act of the Congress, which is obviously out of the question in the near future.

The net of this convertibility outlook seems to be that if the conditions are not present to support convertibility, then no sum will suffice. On the other hand, when the time is ripe, the existing $3 billion will suffice.

Even a country as friendly to us as the Philippines has complained at every opportunity here of our neglect of her capital shortage, not to mention our trade barriers.

And the British, in successfully pushing for Washington as next year's meeting place against strong opposition, have furthered their goal of keeping pressure on the U. S. to cooperate with their needs.

The Routine Gold Plea

A rise in the price of gold was, to no one's surprise, brought up again; and, of course, by the South Africa delegation. As at three previous meetings, the Union through M. H. de Kock, Governor of the South African Reserve Bank, urged an "appropriate" upward readjustment of the gold price as an important part of the program toward convertibility; as one of the measures required to discourage private hoarding, to achieve adequacy of reserves and ensurance of the maintenance of international liquidity.

This drew an immediate negative reply from Dr. W. Randolph Burgess, Deputy to the Secretary of the Treasury and Temporary Alternate Governor of the International Bank for the United States (which together with Great Britain holds veto power over a gold price change). In fact, so great was his eagerness to clarify the U. S. position, that Dr. Burgess interpolated it in his prepared text dealing with other matters. He revealed that the Treasury as firmly as ever is opposed to gold price tampering on the basic ground that it would undermine worldwide stabilizing and disinflation policies: and, furthermore, in any event, that has nothing to do with the business cycle

It is noteworthy in this connection, as well as borne out in talk by Secretary Humphrey and Assistant Secretary Waugh, that the United States seems to be the only nation in the world genuinely interested in dis-inflation.

Political Repercussions

East-West political repercussions again cropped at this year's sessions. First, last Wednesday the Czech delegation introduced a resolution — which was trounced as soundly as Visninsky's similar one at the United Nations—that would supplant representation by Nationalist China with Communist China. Subsequently, the matter of Czechoslovakia's own membership in the Organizations was put on the griddle as the result of her persistent subscription delinquency. The specific details of this Czech-Bank situation follow:

Czechoslovakia is in partial default on the 2% of her capital subscription to the Bank's capital which, under the Articles of Agreement, must be paid in gold or dollars. That 2% amounts to $1,875,000, of which Czechoslovakia has yet to pay $625,000.

When Czechoslovakia joined the Bank, she applied for a postponement on the payment of part of her 2% subscription. Under the Articles, the postponement might have been obtained in either of two forms: (1) a five-year postponement (to June 26, 1951) on the ground that, as a country that had been enemy-occupied during the war, full payment would have imposed a hardship; or (2) a postponement of indefinite term, on the ground that she had not regained possession of her gold reserves. The Czechs originally applied for (2), then reconsidered and applied for (1), that is, a postponement for a fixed term of five years.

In 1952, the Executive Directors reported to the Governors of the Bank that, after a study of the matter, the Directors were of the opinion that the Czechs were in default. This report was accepted by the Governors.

This year, the Executive Directors reported, in effect, that now, 12 months later, the Czechs are still in default. Accordingly, the Board of Governors decided that Czechoslovakia be given until Dec. 31 to pay the $625,000 due, and that if payment is not made within that time, Czechoslovakia be suspended from membership.

Bank's New Issue

Replying to widespread investor inquiry, World Bank President Black announced that he will be coming to market on Sept. 29 with an issue of 3-year bonds. The interest rate will be determined in the light of conditions in the market at time of offering. Mr. Black declared. The Bank expects to sell the issue through an underwriting syndicate under the management of Morgan Stanley & Co. and The First Boston Corporation.

With F. K. Justus

(Special to The Financial Chronicle)

SMITHVILLE, Mo. — Hendrix H. McNabb, Jr. is now affiliated with Francis Krauss Justus, Jr., Mill Street.

Boles, Blake Elected Directors of Osgood Co.

Ewing T. Boles

Ewing T. Boles, President of The Ohio Company, Columbus, and Sidney S. Blake, Vice-President of H. M. Byllesby & Co. Inc., Philadelphia, have been elected directors of The Osgood Company, Marion, Ohio.

COUPON PAYMENT

GENERAL REALTY & UTILITIES CORPORATION

4% Cumulative Income Debentures
Due September 30, 1969

NOTICE OF PAYMENT OF COUPON NO. 18

Payment of the amount called for by Coupon No. 18 representing interest for the six months period ending September 30, 1953 on the above mentioned Debentures of General Realty & Utilities Corporation, will be paid on September 30, 1953 at Bankers Trust Company, Successor Trustee, 46 Wall Street, New York 15, N. Y.

GENERAL REALTY & UTILITIES CORPORATION
By SAMUEL M. FOX, Treasurer

September 15, 1953.

DIVIDEND NOTICE

AMERICAN ENKA CORPORATION

DIVIDEND

The Board of Directors has declared a regular quarterly dividend on the common stock of 40c per share, payable September 29, 1953 to stockholders of record at the close of business September 18, 1953.

GAYLORD DAVIS,
Vice President and Treasurer
September 11, 1953

ENKA RAYON

TEXTILE and TIRE YARNS

1928 *25th Year* 1953

DIVIDEND NOTICES

GENERAL REALTY & UTILITIES CORPORATION

DIVIDEND ON CAPITAL SHARES

The Board of Directors has declared a quarter-annual dividend of 15 cents per share on the Capital Shares of the Corporation, payable September 30, 1953 to stockholders of record at the close of business September 21, 1953.

SAMUEL M. FOX, Treasurer.

September 15, 1953.

International Minerals Chemicals

Mining and Manufacturing

Phosphate • Potash • Plant Foods • Chemicals
Industrial Minerals • Amino Products

Dividends were declared by the Board of Directors on Sept. 10, 1953, as follows:

4% Cumulative Preferred Stock
46th Consecutive Regular
Quarterly Dividend of One Dollar ($1.00) per Share.

$5.00 Par Value Common Stock
Regular Quarterly Dividend of Forty Cents (40c) per Share.

Both dividends are payable Sept. 30, 1953, to stockholders of record at the close of business Sept. 21, 1953.

Checks will be mailed.

Robert P. Resch
Vice President and Treasurer

INTERNATIONAL MINERALS & CHEMICAL CORPORATION

General Offices: 20 North Wacker Drive, Chicago 6

DIVIDEND NOTICES

NATIONAL SHARES CORPORATION

14 Wall Street, New York

A dividend of fifteen cents (15c) per share has been declared this day on the capital stock of the Corporation payable October 15, 1593 to stockholders of record at the close of business September 30, 1953.

JOSEPH S. STOUT, *Secretary.*

September 14, 1953.

Exide BATTERIES

THE ELECTRIC STORAGE BATTERY COMPANY

212th Consecutive Quarterly Dividend

The Directors have declared from the Accumulated Surplus of the Company a dividend of fifty cents ($.50) per share on the Common Stock, payable September 30, 1953, to stockholders of record at the close of business on September 14, 1953. Checks will be mailed.

H. C. ALLAN,
Secretary and Treasurer

Philadelphia, September 4, 1953.

DIVIDEND NOTICES

United Shoe Machinery Corporation

The Directors of this Corporation have declared a dividend of 37½ cents per share on the Preferred capital stock. They have also declared a dividend of 62½ cents per share on the Common capital stock. The dividends on both Preferred and Common stock are payable November 2, 1953, to stockholders of record at the close of business October 2, 1953.

WALLACE M. KEMP, Treasurer.

New England Gas and Electric Association

NEGEA

COMMON DIVIDEND NO. 26

The Trustees have declared a regular quarterly dividend of twenty-five cents (25c) per share on the COMMON SHARES of the Association, payable October 15, 1953 to shareholders of record at the close of business September 21, 1953.

H. C. MOORE, JR., *Treasurer*

September 10, 1953

CALL FOR PHILIP MORRIS

***108th* COMMON STOCK DIVIDEND**

Philip Morris & Co. Ltd., Inc.

Our Institutional SHARE OWNERS

Colleges Benefit from Dividends

Colorado College, a Philip Morris Share Owner, is one of many colleges, universities and churches aided in meeting expenses by the receipt of corporate dividends. Gifts made to the College in the past and invested in Philip Morris and other U. S. companies help maintain this institution and, through scholarships, help many students to prepare for the future in a free and democratic America.*

*From Annual Report—1953

CUMULATIVE PREFERRED STOCK

The regular quarterly dividends of $1.00 per share on the 4% Series and $0.975 per share on the 3.90% Series have been declared payable November 2, 1953 to holders of record at the close of business on October 15, 1953.

COMMON STOCK ($5.00 Par)

A regular quarterly dividend of $0.75 per share has been declared payable October 15, 1953 to holders of record at the close of business on October 1, 1953.

L. G. HANSON, *Treasurer*
September 16, 1953

New York, N. Y.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Labor Secretary Durkin's resignation marks the beginning of an inevitable and important phase or process of the Eisenhower Administration.

This is the phase of sorting out and deciding between contradictory viewpoints within the Republican party on numerous issues. It involves also making a decision as to which of almost totally contradictory Administration commitments shall be selected as the one by which the Administration shall stick. It involves a shaking down and a shaking out of the policies of the Eisenhower Administration.

Full-time observers have been fascinated by the way so few people have caught how frequently the Administration has been contradicting itself, yet for this there is some explanation, which will be offered below.

Take the matter of the budget, for example. While the President has made the strongest kind of commitments for a drastically reduced volume of expenditures (during the campaign) and for reducing expenses and balancing the budget since he came into office, he has also made sweeping commitments which point in the opposite direction.

Thus, the President has given the most wholehearted, unqualified commitment of the Federal Government to back the "full economy" with the "constantly rising standard of living." At the very least this means steamed up Federal spending and reduced taxation if a business set-back threatens. Hence inherent in this backing, stronger than Truman if anything, of the "full employment" economy, is a commitment for heavily unbalanced budgets should the Administration determine that a business set-back is threatened.

Curiously the President selected as head of the Council of Economic Advisers, a man who publicly doubts the capacity of government to control or reverse the direction of the economy.

An inherent promise of heavy spending is also apparent from the President's resources conservation message to Congress at the closing of Congress, a summary of which the "Chronicle" carried in this column a few weeks ago. The President announced firmly that at the next session of Congress he would propose a vast water resources conservation scheme including a river basin development program.

Ike's Budget Intentions

Actually there is little mystery about what the President thinks he intends to do with the budget, even though the Administration has been careful not to spell this out.

On the defense side, Mr. Eisenhower obviously wants every item of military hard goods which his predecessor ordered, and which could be delivered on a reasonable schedule in calendars 1953, 1954, and 1955, or later. Mr. Eisenhower and his aides did in fact cut out the surplus volume of orders beyond which there could reasonably be delivery without reverting to the controlled society, and they did provide that after three or four years, the defense build-up should stop.

On foreign aid, the President will actually spend more this year than Mr. Truman succeeded in arranging to spend last year.

On the domestic spending front, the President is cutting out all he can without making a direct attack upon the groups who have vast vested interest in subsidies.

As to the future, it is believed to be the **present intention** of the Administration to let the defense orders run off. Then future orders would be such as would maintain to some as yet undetermined degree of readiness the defense forces now in being or programmed.

So by fiscal 1956, if the Reds meanwhile have refrained from perpetrating treachery in Korea not too unpalatable to the Eisenhower Administration, if the obvious intent of backing the French in Indo-China does not mire U. S. defense forces again heavily in another venture, if the resources program can be carried out on a modest scale year by year, if there is no serious threat to business, and if benefit programs alluring to the President like social security broadening with increased pensions do not cost too much—then a balanced budget will be possible by fiscal 1956.

Here is an inherent conflict not only within the Republican party and within the Administration, but also a set of contradictory commitments to resolve.

Obviously George Humphrey, the Secretary of the Treasury, and Budget Director Dodge are doing their best to keep green and fresh the commitment for reduced spending and a balanced budget. Definitely the GOP Congressional leadership is opposed to new social ventures and is hesitant about exactly what shall be done with respect to social security. Just as obviously the President is surrounded by other men with new, imaginative, and frightfully expensive ideas.

Why Conflicts Pass Unnoticed

One reason why these conflicts pass unnoticed is that they don't get much play in the newspapers. Thus, for example, the stories about the President's comparatively minor reorganization of the Council of Economic Advisers generally portrayed the specific reorganization changes and underplayed the commitment the President made in his accompanying message for the "full employment" economy.

On the one hand the President's (enunciated by Interior Secretary McKay) commitment for a middle of the road Federal power policy got tremendous play; on the other hand, the natural resources message was largely ignored, as has been noted before, because it came in an adjournment-end rush of news. Even with local participation, if possible, a vast natural resources program would involve costly expenditures from the Federal Treasury for power development, reclamation, and flood control.

There is another reason peculiar to the Eisenhower era why the conflict of commitments has passed largely unnoticed. Conservatives have looked at Eisenhower's budget-balancing, get the government out of business, return the powers to the states commitments, etc., and have chosen to be satisfied with these, rather than notice any clouds on the horizons.

On the other hand, the leftwingers have chosen to ignore the commitments which would be down their alley and concern themselves, criticize sharply, and take most seriously the commitments of the President toward the right in economic matters.

Ignores FEPC Order

Thus, as reported last week, the President has virtually "reenacted" President Roosevelt's Executive order of 1943 attempting under "broad powers" and in the face of Congress' refusal to legislate such a thing, to force all government contracting agencies to insert an FEPC clause in all government contracts.

This gives the appearance of contradicting the President's stand against usurpation by the Federal Government of powers which traditionally have lodged in the state governments. The President has even blessed a distinguished commission to study ways of returning powers to the states. Yet the regulation of relations between employer and employee traditionally until Roosevelt was the province of the states.

This Aug. 13 Executive order of Mr. Eisenhower's if genuinely enforced, would virtually force a national FEPC because the government buys about a third of the national product, as Vice-President Nixon bragged. Mr. Nixon was named Chairman of the new enforcement Committee set up by this order.

Yet if the Americans for Democratic Action cheered loudly or the conservatives screamed, this was difficult to notice.

Durkin Quitting Changes Little

Martin Durkin was hired away from the Plumbers union to be Secretary of Labor, of course, under the President's ill-starred scheme of trying to woo the AFL away from the CIO and break up the solid organized labor leadership backing for the Democratic party.

This move was regarded widely as ill-starred, first, because there obviously could NOT be mustered a majority in Congress for seriously weakening the Taft-Hartley Act, particularly since the death of Senator Robert A. Taft. Mr. Taft was the only individual who could have carried a majority of Congress any distance toward debilitating this act.

Second, it was regarded as ill-starred because few believed it would be possible to go far enough to graft the AFL onto the GOP stem, as subsequent statements by Federation leaders tended to indicate.

Whether Mr. Durkin's resignation has been sufficient to convince Mr. Eisenhower of the doubtful validity of this political strategy, however, is only something which the President himself can answer finally — and when he gets around to showing his hand.

Mr. Durkin's passing, however, provided the first case of a shaking down of contradictory viewpoints within the Eisenhower Administration. About this shaking down process, more will be heard in the future, and on many issues.

(This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.)

BUSINESS BUZZ

"Here comes the boss—doesn't try to disguise himself much, does he?"

LETTER TO THE EDITOR:

Favors Door-to-Door Check on Taxpayers

John S. Hill voices disagreement with attitude expressed by Congressman Philbin.

Editor, Commercial & Financial Chronicle:

In your issue of Sept. 3, you give back page presentation to the views of Mr. Philbin (Rep. in Congress as Dem. from Mass.) respecting the propriety of door-to-door canvassing by agents of Internal Revenue to discover extent of avoidance and/or evasion of taxes on income by dodgers. As I (violently) disagree with Mr. Philbin on this question, I hope you will give at least equal space and publicity to the merits of such governmental action for I believe such can be very stimulative to tax receipts from those with tax liabilities, but whose patriotism is so lacking that they need the threat of the lash of punishment by energetic law enforcement officials to drive them into tax payment action. Certainly no objection to a few additional questions will be made by all those honest citizens who voluntarily pay their tax obligations. Mr. Philbin must have reasons peculiarly un-American to desire to protect tax-dodgers. I for one believe that such, when apprehended, should be stripped of their citizenship, as violators of their basic responsibilities thereunder.

Thank you for such cooperation as you may desire to give this other viewpoint equal publicity.

Sincerely,

JOHN S. HILL
(Small taxpayer)

Green Gables Hotel,
Atlantic City, N. J.
Sept. 7, 1953